CONSULTATION WITH POLAND

Statement by Mr. Bohdan Laczkowski,
Head of the Polish Delegation

Revision

As announced at the first meeting of this Working Party on 25 March, and as has become customary during the four earlier reviews pursuant to the declaration of 9 November 1959 on relations between the contracting parties and Poland, I should like to present to you some information on Poland's economic situation in 1967.

Gross national product in 1967 was 6 per cent above the level reached in 1966. Gross industrial output rose by 7.5 per cent and agricultural output by 2.3 per cent over the 1966 level.

Average nominal earnings in 1967 were more than 4 per cent higher than in the previous year; over the same period the cost-of-living index increased by only 1.5 per cent, so that there was a real increment in earnings of 2.5 per cent.

The productivity increase fell short of the estimated 5.6 per cent - but increased by about 5 per cent.

Production in 1967 of the principal industrial and agricultural items was as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
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<tbody>
<tr>
<td>Electric power</td>
<td>51,200 million kWh</td>
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<tr>
<td>Coal</td>
<td>123.9 million tons</td>
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<tr>
<td>Crude steel</td>
<td>10,451.0 thousand tons</td>
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<tr>
<td>Zinc</td>
<td>196.1 thousand tons</td>
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<tr>
<td>Copper</td>
<td>42.2 thousand tons</td>
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<tr>
<td>Cement</td>
<td>11,138.0 thousand tons</td>
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<tr>
<td>Sulphuric acid</td>
<td>1,213.0 thousand tons</td>
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<tr>
<td>Nitrate fertilizers (expressed in pure ingredient)</td>
<td>593.6 thousand tons</td>
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<tr>
<td>Phosphate fertilizers (expressed in pure ingredient)</td>
<td>384.8 thousand tons</td>
</tr>
<tr>
<td>Plant protection products</td>
<td>911.0 million zlotys</td>
</tr>
<tr>
<td>Cotton fabrics</td>
<td>778.2 million square metres</td>
</tr>
<tr>
<td>Woollen fabrics</td>
<td>126.4 million square metres</td>
</tr>
<tr>
<td>Footwear</td>
<td>115.3 million pairs</td>
</tr>
</tbody>
</table>
Meat from industrial slaughterings 1,313.0 thousand tons
Milk 1,277.0 million litres
Butter 119.1 thousand tons
Edible vegetable fats and oils 176.4 thousand tons

For most of the products listed above the plan targets were reached and even exceeded. The growth target was not, however, attained in the following sectors:

Electric power 98.3 per cent of the output forecast in the plan
Plant protection products 94.4 per cent of the output forecast in the plan
Cotton fabrics 96.1 per cent of the output forecast in the plan
Footwear 96.0 per cent of the output forecast in the plan
Edible fats and oils 94.4 per cent of the output forecast in the plan

In the agricultural sector, the situation was as follows in 1967:

The harvest of the four principal grains reached 16.4 million tons, representing a 3.3 per cent increase over 1966. The potato crop was 48.6 million tons and the sugar beet crop 15.5 million tons, representing an increase of 5.3 per cent and 13.2 respectively over 1966.

The effects of intensified investments have become apparent in recent years:

The yield per hectare for the four principal grains rose from 16.4 quintals to 19.3 quintals in 1967. Consumption of chemical fertilizers (in terms of pure ingredient per hectare of cultivated land) rose from 55 kilogrammes in 1964 to 80 kilogrammes in 1967, an increase of 45 per cent.

The favourable fodder situation contributed to an increase in the cattle herd, from 10.4 million head in 1966 to 10.8 million head in 1967 - an increase of 3.6 per cent - while the number of pigs remained at the same level as in 1966 at approximately 14.2 million head.

Progress has also been made in agricultural mechanization and electrification; for example the number of tractors has risen by 11 per cent over the 1966 level.

Members of this Working Party will no doubt be particularly interested in information on the development of Poland's external trade.

In 1967 Poland's total trade reached a value of $5,161 million, representing an increase by 8.3 per cent over the preceding year.

As in earlier years, Poland's trade developed more rapidly in 1967 than its national income and total production, showing that Poland is participating more and more in the international division of labour.
On the occasion of the third and fourth reviews under the Declaration on Relations between the CONTRACTING PARTIES and Poland (in October 1964 and March 1966), I had drawn attention to the fact that Poland's chronic trade deficit was considered by the Government to be unduly large, and that appropriate measures would therefore be taken to remedy disequilibrium.

The value of our exports reached $2,527 million in 1967, an increase of 11.3 per cent over the 1966 level. Our imports rose 6 per cent above the 1966 level, to a value of $2,645 million.

Consequently, Poland's trade deficit diminished, from $222 million in 1966 to $118 million in 1967.

The value of trade with GATT countries reached $2,269 million in 1967, representing 44 per cent of the overall value of Poland's foreign trade.

I should like to emphasize the great stability of this proportion. Trade with contracting parties represented 44.7 per cent of Poland's total foreign trade in 1963, 46.0 per cent in 1964, 44.3 per cent in 1965 and 47.0 per cent in 1966. To avoid any misunderstanding, I would add that this proportion has been calculated for each of the years mentioned, taking account of all countries that are now contracting parties either in full, on a de facto basis or on a provisional basis.

1964, 1965 and 1966 were characterized by vigorous expansion in trade between Poland and the contracting parties. The value of this trade rose from $1,675.4 million in 1963 to $1,919.3 million in 1964, $2,026.0 million in 1965 and $2,223.7 million in 1966. In 1967, on the other hand, there was an appreciable slowing down in the growth rate and I shall explain what the causes were. First of all, however, may I recall that Poland's trade with contracting parties reached a value of $2,269.0 million in 1967, an increase of 2.0 per cent over the preceding year.

In 1967 Poland's exports to contracting parties reached $1,098.6 million, an increase of 2.6 per cent over 1966, while imports at $1,171.3 million were 1.6 per cent higher than in 1966.

Poland's trade deficit with contracting parties therefore reached a value of $71.8 million in 1967, representing a diminution of $9.3 million as compared with 1966.

I should like to recall here, as stated in the GATT secretariat document L/2934/Add.8 of 19 January 1968, that Poland has begun to fulfill its commitment to increase the total value of its imports from the territories of contracting parties by 7 per cent per annum, as provided for in Annex B to the Protocol of Accession. This was confirmed by our Minister of Foreign Trade, Professor W. Trampczynski, during his conversation with the Director-General of the GATT, Mr. Olivier Long, on 15 May last.
The importance of this commitment is brought out by the figures I have just quoted illustrating actual results in 1967.

There are different reasons why Poland's trade with most contracting parties, i.e. with the market economy countries, is not very dynamic. This situation is bound up with the actual structure of trade, and also with a phenomenon that one might term the "structure of the difficulties" encountered by Polish exports to many countries, particularly the West European countries.

In comparison with 1966, the structure of our overall trade in 1967 shows changes that, while not far-reaching, were nevertheless favourable.

On the export side for example, the share of machinery and capital goods increased from 35.5 to 36.2 per cent; that of semi-finished products and raw materials declined from 33.8 to 32.7 per cent; the share of agricultural products diminished from 16.8 to 15.7 per cent and that of industrial consumer goods increased from 13.9 to 15.7 per cent. Total foreign sales of finished goods accounted for 51.9 per cent of the overall value of our exports in 1967.

The changes in the structure of our imports were less striking. Here again, however, the share of machinery and capital goods increased from 35.2 per cent to 36.4 per cent, whereas that of raw materials and semi-manufactures as well as of agricultural products declined and the share of industrial consumer goods remained at the same level as in 1966.

In the light of these data concerning the structure of our overall trade in 1967, the structure of Poland's exports to certain West European countries is definitely unfavourable.

As I have already indicated, in 1967 finished goods - that is to say machinery, capital goods and industrial consumer goods - accounted for 51.9 per cent of the total value of our exports. In that same year the value of our exports of finished goods to Austria was only 6.8 per cent of the total, Italy - 8.4 per cent, Federal Republic of Germany - 8.7 per cent, United Kingdom - 8.9 per cent and the six EEC countries taken together - 10.4 per cent.

Now this state of affairs is not attributable to the nature of the goods offered by Poland, nor to the existence of what one theory that has been advanced on several occasions terms "difficult markets".

Indeed, in countries where the markets are just as difficult but which maintain in regard to Poland an import policy based on the provisions of the General Agreement, or which have granted us broader liberalization on the basis of bilateral agreements, these figures are quite different. In our exports to Belgium, for instance, the share of finished goods reached 19.7 per cent in 1967, to the United States - 20.3 per cent, to Sweden - 21.4 per cent, to Norway - 31.7 per cent and to Canada - 72.4 per cent.

These figures illustrate the real situation far better than any abstract considerations could do.
Although in recent years certain West European countries have moved in the direction of liberalization by enlarging the list of products that may be imported from Poland, the fact nevertheless remains that the discriminatory quantitative restrictions still maintained in those countries are a basic source of difficulty for Polish exports. I would even say that they indirectly cause difficulties for all the contracting parties.

In the twelve years immediately following the war, Poland's exports consisted practically of one single product - coal - that was in great demand. This was really a kind of "monoculture".

Since 1957 we have been expanding our traditional exports of agricultural products, but the protectionism that is rife in the West European countries and above all the EEC common agricultural policy, have dealt a blow to this upward trend and have halted completely our exports of certain livestock products and even of products for which we used to be the principal supplier in that area.

The EEC countries are not alone in applying protectionist measures in the agricultural sector. The agricultural negotiations in the Kennedy Round showed to what extent the subsidizing of agricultural production in various ways is a universal phenomenon, and if here I have emphasized the negative effects of the EEC common agricultural policy on our traditional exports, it is because that policy has been a particularly important factor in the change that has occurred in the international division of labour as it existed for decades past, and because it has had particularly adverse effects on trade between my country and the EEC.

I should like to recall that Poland has been much more affected than any other country by the protectionist measures applied by the West European countries. At the beginning of this decade, Poland accounted for one third of the total value of agricultural exports from Eastern Europe to Western Europe.

Despite the difficulties that we encounter in this sector - perhaps precisely because of them - we have been and still are in favour of solutions in the form of international arrangements on trade in agricultural products. We took part in the work of the Agriculture Committee and its Working Parties during the Kennedy Round and in those meetings we unfailingly supported proposals for solutions based on multilateral arrangements. In certain cases where existing conditions seemed to justify it, we proposed regional solutions at European level. As we all know, however, the results of the Kennedy Round were meagre and even disappointing in the agricultural sector.

We are still ready to pursue solutions that would overcome the difficulties existing in world trade in agricultural products. That is why we proposed at the twenty-fourth session that the CONTRACTING PARTIES should decide not merely to continue the work of Committee II of GATT but rather to refer these problems to the Agriculture Committee for thorough and detailed study. We are participating in the work of the Working Party on Dairy Products and the Working Party on Poultry.
Having regard to the protectionist measures applied in the agricultural sector by the West European countries, we see no possibility of increasing our sales to that area to which we have been exporting these products for several decades past. It would be difficult to maintain that this situation is the result of a rational international division of labour.

This somewhat discouraging picture of the difficulties encountered by our traditional exports in the markets of countries that are our major trading partners is darkened still further by the discriminatory application, within the context of Article XIII of the General Agreement, of quantitative restrictions on industrial imports of Polish origin. The figures I have already quoted on the structure of our exports to certain countries clearly illustrate the result of these restrictions.

In principle, having regard to the difficulties at present encountered by our traditional exports, we can only find new export lines in the finished goods category. In actual fact, this corresponds to the changes that have occurred in Poland's economic structure, and to our increasing industrialization. Here again, however, the quantitative restrictions and import régimes applied by many GATT countries to so-called "bilateral" countries still constitute a serious obstacle.

In March 1966, during the fourth review under the Declaration on Relations with Poland, I already had occasion to draw attention to the fact that the régime applied by many contracting parties was seriously hindering our trade expansion.

The consequence of all this is that trade with certain GATT countries is developing to our increasing disadvantage, and this decline in returns is accurately reflected in the downward trend in our trade with GATT countries in 1967.

I shall not refer in greater detail here to the problem of the quantitative restrictions applied by many contracting parties in a discriminatory way to imports from Poland, because in our opinion this should be the central topic of our discussions in this Working Party. It is difficult for me not to express my concern, however, all the more so because only a few countries have replied to GATT airgram No. 650 concerning quantitative restrictions, and their replies were not always complete. I have no doubt, though, that the representatives of some countries will have statements to make on this subject in the course of our meetings here.

I should nevertheless like to recall that under its terms of reference this Working Party is required to carry out the consultation with Poland on behalf of the CONTRACTING PARTIES. For our part, we must have a clear idea of what certain countries have already done or intend to do in order to reduce the obstacles that have been hindering the expansion of trade with Poland since it became a contracting party to GATT.

I shall therefore revert to this question during the detailed discussion.
In paragraph 3 of the note before us, the Chairman informed the Working Party of our intention of raising the question of multilateralization. That is so. We are obliged here to recall certain provisions of the Protocol for the Accession of Poland to the General Agreement and to the explanations contained in the report of the Working Party (document L/2806 of 23 June 1967). In accordance with paragraph 3(a) of the Protocol for the Accession of Poland to the General Agreement, "contracting parties which on the date of this Protocol apply to imports from Poland prohibitions or quantitative restrictions which are inconsistent with Article XIII of the General Agreement may, notwithstanding these provisions, continue to apply such prohibitions or restrictions to their imports from Poland provided that ... etc."

Paragraphs 4 and 7 of the Protocol of Accession contain safeguard clauses. The provisions of these three paragraphs are the only — I repeat, the only — point on which our Protocol differs from other documents of the same kind.

In addition, under the ensuing provisions of paragraph 3(a) of the Protocol of Accession, the possibility of continuing to apply prohibitions or quantitative restrictions that are inconsistent with Article XIII of the General Agreement is only a temporary one whose discriminatory character must not be intensified but, on the contrary, must be progressively relaxed.

Paragraph 3(b) provides that the CONTRACTING PARTIES are to review measures taken by contracting parties, in the course of consultation such as the one taking place today.

Article XIII forms an integral part of the General Agreement and its essential principle is precisely — if I may mention here a book by M. Thiébaut Flory, published recently in the series of publications on international law — the principle of non-discrimination.

At the first meeting of our Working Party I recalled that the concession granted by us and which we undertook to make effective as from 1 January 1968, was granted above all in return for the application towards Poland of the provisions of the General Agreement.

In these conditions, contracting parties that maintain separate lists of quantitative restrictions, one with respect to "bilateral" countries and another in respect of "bilateral" countries, must apply to Poland their list for "multilateral" countries or at least fix a deadline for making this change, while still having the possibility of maintaining for the time being certain restrictions, pursuant to paragraph 3(a) of the Protocol of Accession.

Indeed, if one applies a certain import régime with respect to 75 or 74 GATT member countries, and a different régime with respect to just one country that is also a contracting party to the General Agreement, this clearly constitutes legalized discrimination.
This state of affairs is not consistent with the spirit of the Protocol for the Accession of Poland — not only the actual provisions of the Protocol, but also the detailed explanations in paragraph 16 of the report of the Working Party (document L/2806). Moreover, paragraph 3 is not the entire Protocol. For example it is clear from the provisions of paragraph 15 of the Working Party's report that the safeguard clause in paragraph 7 of the Protocol should be applied "without hampering the development of a multilateral trading system between the CONTRACTING PARTIES and Poland".

It is particularly important for us to set matters right in this regard, all the more so because certain intentions have already become apparent with respect to our country that are clearly of a discriminatory character and are inconsistent with the provisions of the Protocol for the Accession of Poland. In saying this, I have in mind a draft regulation published in the Journal Officiel des Communautés Européennes, envisaging the establishment of a special import régime for certain products coming from certain third countries; that draft was submitted to the Council of Ministers of the EEC by the Commission on 4 July 1967 — four days after the Protocol for the Accession of Poland was drawn up.

Admittedly this is only a draft regulation and it may be that Poland was mentioned in it by mistake. What is disquieting however, is the fact that six months after Poland's accession to GATT, such a draft was published which was discriminatory taken as a whole and in its details. I am thinking in particular of a clause in the draft which would exclude Poland from the provisions with respect to "eggs" because of the fact that we have undertaken to observe the sluice-gate price. Now, two other contracting parties to GATT have given a similar undertaking, and yet they are not mentioned in the draft.

According to information recently published, discussion of the regulation has been adjourned. On the other hand, the term of validity of Council Regulation No. 3/63 is to be extended. That regulation also seems to us to constitute discrimination against Poland. The obstinate manner in which this regulation is kept in force seems to us completely gratuitous, because in the five years that it has been in force it has not once been applied to imports of agricultural products from Poland. The high rate of the levies charged by the EEC member countries has been sufficient to slow down Poland's exports to EEC markets of products coming within the common agricultural policy.

I do not want to lengthen this statement which is already fairly long.

I feel bound, however, to reaffirm that we have always considered, and continue to consider our accession to GATT as a serious matter based on real concessions on our part as well as on the part of our partners.

As I already stated at the first meeting of this Working Party on 25 March last, we are taking part in this consultation with the firm intention of conducting it in a spirit of co-operation, not of confrontation.

The note by the Chairman mentions numerous questions addressed to us. For our part, we shall do our best to give satisfactory replies within the limits of our possibilities and in the light of the explanations given to us by representatives of contracting parties participating in the discussions of this Working Party.