CONSULTATION WITH POLAND

First Review under the Protocol of Accession

Note by the Secretariat

As instructed at the meeting of the Working Party on Trade with Poland on 25-26 June 1968, the secretariat has prepared the following preliminary draft of a report, covering the subjects already discussed in the Working Party at its meetings on 25 March and on 25-26 June 1968. The report will have to be completed to take into account the discussions at the forthcoming meetings of the Working Party. Paragraphs which will have to be completed or revised are within square brackets [ ].

Draft Report

1. The Council of Representatives agreed at its meeting on 15 February 1968 to establish a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the first consultation with the Government of Poland provided for in paragraph 5 of the Protocol of Accession.


3. The representative of Poland, in an introductory statement, gave a general picture of the economic situation of Poland in 1967. The full text of the statement is reproduced in Annex I hereto.

4. The Working Party agreed that the Plan for Annual Review (Annex A to the Protocol of Accession of Poland) would not fully apply in the first consultation as the Protocol of Accession had only entered into force on 18 October 1967 and as the implementation of the Polish import commitment had not begun until 1 January 1968. The Working Party agreed that the main subjects for discussion in the first consultation would be the following:

I. Trade between Poland and contracting parties in a base period.

II. Trade between Poland and contracting parties in the first three months of 1968.
III. Action taken or envisaged by contracting parties in accordance with paragraph 3 of the Protocol of Accession.

IV. Polish import targets for 1963 and 1969.

V. Poland's balance of payments with contracting parties.

I. Trade between Poland and contracting parties in a base period

5. The representative of Poland submitted the information on Poland's exports to and imports from GATT countries - including breakdowns for commodity-by-country and country-by-commodity - in the years 1965, 1966 and 1967 which is contained in Annex II hereto.

6. In reply to questions by members of the Working Party, the representative of Poland supplied the data on imports of certain products by Poland in the years 1966 and 1967, contained in Annex III hereto.

7. Invited to submit estimates of imports and exports under bilateral trade arrangements and, in particular, where import commitments by Poland had been entered into under such arrangements, their volume and amount by major categories, the representative of Poland pointed out that the texts of all agreements had been published in conformity with the requirements of Article X of GATT. Trade figures could be found in the official foreign trade statistics of Poland. Most bilateral trade agreements did not contain firm import or export commitments; the lists of products annexed to them were normally only indicative.

II. Trade between Poland and contracting parties in the first three months of 1968

8. The representative of Poland submitted information on Poland's exports to and imports from GATT countries in the first quarter of 1968, including breakdowns for commodity-by-country and country-by-commodity. The information is contained in Annex IV hereto. The representative of Poland pointed out that the import figures showed a rapid increase: imports from GATT countries were 22 per cent higher in the first quarter of 1968 than in the same period the preceding year.

9. The same observations as in paragraph 7 above were made with regard to trade under bilateral arrangements in the first quarter of 1968.

III. Action taken or envisaged by contracting parties in accordance with paragraph 3 of the Protocol of Accession

10. The Working Party noted that the Director-General had issued in Airgram GATT/AIR/650 of 19 April 1963 an invitation to contracting parties to notify for the purposes of paragraph 3(b) of the Protocol of Accession such prohibitions or quantitative restrictions which they maintained on 30 June 1967 on imports from Poland and action taken or envisaged by them under paragraph 3(a) of the Protocol towards removing such restrictions.
11. The Working Party further noted that the following contracting parties had notified that they did not maintain any restrictions of the kind referred to in paragraph 3 of the Protocol:

- Argentina
- Australia
- Brazil
- Canada
- Czechoslovakia
- India
- Ireland
- Japan
- Kenya
- South Africa
- United States

12. The following contracting parties had submitted notifications in reply to GATT/AIR/650:

- Austria
- Denmark
- Finland
- Guyana
- Norway
- Sweden
- Switzerland
- United Kingdom
- Upper Volta

The notifications received from these countries are reproduced in Annex V hereto.

13. The representatives of the Council and of the Commission of the European Communities and the Member States informed the Working Party regarding action taken or envisaged by them towards freeing imports from Poland from quantitative restrictions. The texts of these statements are reproduced in Annex VI hereto.

14. The representative of Poland noted with regret that several contracting parties had not submitted any information regarding discriminatory quantitative restrictions maintained by them and that some of the replies received were incomplete. He underlined the importance for Poland of a gradual removal of such restrictions and said that Poland's possibilities of fulfilling its commitments under the Protocol would obviously depend on action taken by other contracting parties towards liberalizing imports from Poland.

15. Several members of the Working Party stated that it was their firm intention to continue removing discriminatory restrictions on imports from Poland. It was pointed out, on the other hand, that the counterpart to the Polish import commitment was partly the tariff reduction granted by other participants in the framework of GATT.

16. Several members of the Working Party supported the views expressed by the representative of Poland on the deficiencies of several of the notifications received. It was pointed out that mere references to numbers of tariff items liberalized without accompanying trade figures were of very limited value. Some members of the Working Party indicated that they were prepared to examine the possibilities to submit more complete notifications before the next meeting of the Working Party.
17. Some members suggested that the Working Party should agree on a standard form for notifications on discriminatory quantitative restrictions to be used in future consultations. They stressed that the efficiency of the reporting procedure under paragraph 3 of the Protocol of Accession was essential for the efficiency of the consultation procedure as a whole. Other members of the Working Party pointed out that the submission of certain information regarding quantitative restrictions would meet with legal difficulties under the administrative procedures in force in their countries. It was stressed by these members that the notifications in question were made under paragraph 3 of the Polish Protocol; it was not a general examination of measures not compatible with Article XIII of the General Agreement. It was pointed out by other members that all contracting parties were obliged under Article X of GATT to publish laws, regulations, etc., pertaining to restrictions or prohibitions on imports, and it was suggested that the Secretariat, with reference to that Article, should request contracting parties to submit notifications. The Chairman noted that members of the Working Party expressed the hope that more complete notifications would be submitted and said that he would convey to the Director-General the suggestion that the Secretariat should invite contracting parties, with reference to Article X, to submit notifications under paragraph 3 of the Protocol.

18. The representative of Poland said that his Government could not accept the view maintained by some contracting parties that it was permissible to create new discriminatory restrictions, if old ones were removed at the same time. In the opinion of his Government, the creation of new discriminatory restrictions would constitute a violation of the terms of the Protocol of Accession. He also stressed that the existence of a licensing requirement, even if licences were granted freely, constituted an obstacle to trade.

19. In reply to a question regarding restrictions on convertibility of currencies, the representative of Poland explained that his Government accepted clearing arrangements in cases where payment in convertible currencies would be difficult for the trading partners of Poland.

20. The representative of Poland said that the aim of his Government when acceding to GATT was the multilateralization of trade relations between Poland and the other contracting parties. He was disappointed at the reluctance of other GATT governments to transfer Poland from the category of countries to which bilateral licensing requirements applied to the multilateral category. He stressed that the fact that Poland was subject to bilateral treatment in many cases - quite apart from less favourable licensing treatment - also meant that customs procedures were more cumbersome for Polish products, even if the rates were applied on a most-favoured-nation basis.

21. The Working Party sympathized with Poland's requests for multilateralization of its trade with contracting parties. Several members declared their firm intention to move rapidly in that direction and they urged other members to follow their example. It was pointed out that maintenance of quantitative restrictions was not only prejudicial to the interests of Poland but also to the interests of the other contracting parties. Other members, while sympathizing
in principle with those aims, pointed out that the move towards multilateralization must be gradual and progressive; it would not be possible to achieve it overnight. It was agreed that this problem should be further examined at the forthcoming meeting of the Working Party.7

IV. Polish import targets for 1968 and 1969

22. In reply to questions regarding the general targets for 1968 and 1969 in Poland's foreign trade plan, the representative of Poland supplied the information reproduced in Annex VII hereto. For 1970 no figures were yet fixed. In reply to questions regarding the distribution to various geographical areas of the import targets and the fulfilment of the 7 per cent commitment towards the contracting parties, the Polish representative explained that there was no geographical split up of the planned imports. Purchases were made on purely commercial grounds.

23. The Polish representative pointed out that there was a link between the import commitment of Poland and action taken by other contracting parties towards removing discriminatory quantitative restrictions: in paragraph 16 of the Report of the Working Party on the Accession of Poland it was said that in the negotiation of the percentage increase, account was taken inter alia of the increase in Polish exports to contracting parties likely to result from the application by contracting parties to Poland of the provisions of the General Agreement. Other members of the Working Party agreed that there existed a certain link between the commitments, but they pointed out that the Polish import commitment was a concession granted to contracting parties on a most-favoured-nation basis and that it could not be made contingent upon action taken by other countries.

24. The representative of Poland, in reply to questions put by representatives of developing countries, said that account had been taken in the drawing up of the Plan of commitments undertaken by Poland in, for example, UNGTAD II.

25. The representative of Poland explained that some imports of consumer goods took place outside the Plan. The availability of currencies was the decisive factor. There were of course also imports of consumer goods under the Plan for sale in shops other than the PKO ones.

V. Polish balance of payments with contracting parties

26. This question is to be discussed at a later meeting of the Working Party on the basis of material to be supplied by the Delegation of Poland.7
According to calculations made, the volume of imports from Poland which was free of restrictions on 30 June 1967 amounted to 30 per cent of the total imports. Now, after the conclusion of the long-term Trade Agreement in November 1967, about 70 per cent of the total imports from Poland are free of restrictions.
DENMARK
/Spec(68)53 - Annex II/

FINLAND
/Spec(68)53 - Annex III/

At the meeting of the Working Party on 25 June 1968 the representative of Finland added:

In the information submitted by Finland on measures taken or envisaged we said that further measures of liberalization are envisaged. I am now able to inform you that additional liberalization of imports from Poland is planned to take effect on 1 July. As the list has not as yet been completely finalized I am not now in a position to give you details on the forthcoming liberalization. However, my personal estimate is that it will in terms of present Polish exports to Finland mean an improvement of the prevailing situation by between 5 and 10 per cent.

GUYANA

1. The Government of Guyana has informed the secretariat that imports into Guyana from Albania, Bulgaria, China, Czechoslovakia, Eastern Germany, Hungary, Japan, North Korea, Poland, Rumania and the Union of Soviet Socialist Republics have been controlled since 1963 under the Trade (control of Imports and Exports) No. 2 Order, 1963. According to Article 4 of the 1963 Order, no goods shall be imported from those countries without the authority of an import licence granted by the competent authority.

2. In practice, imports from these countries, including Poland, have been placed on quota allocations. For the year 1968, restrictions on imports from Poland have been placed at the level of 40 per cent of the value of imports from Poland in 1964, the base year. Since the value of these imports in the base year was G$283,754 imports for 1968 would therefore be restricted to the value of G$115,500 (40 per cent of G$283,754).

3. With regards to paragraph 3(a) of the Protocol for the Accession of Poland, the Government's policy is that in the event of the visible trade balance between Guyana and the countries referred to above, including Poland, being reversed through the purchase of Guyana's exports by these countries, then the present restrictions on imports from these countries would be reviewed. However, instead of there being an increase in the purchase of Guyana's exports by these countries, including Poland, whatever little purchases were made previously (G$267,998 in 1965) have practically been stopped; in 1967 the value of Guyana's exports to these countries was G$74.
With the existing commodity composition of Sweden's imports from Poland, this liberalization extends to more than 70 per cent in the sector of industrialized items.

For the few non-liberalized items, the import quotas have been gradually increased during the last years and once again as late as in May 1968. Furthermore, out of the existing 19 quotas, quota levels are strictly observed only for 7 items. These commodities constitute not more than about 15 per cent of total Swedish imports from Poland.

It is the intention of the Swedish Government to extend the import liberalization as soon as the circumstances so permit and in the meantime to increase bilateral quotas whenever this is possible.

It is true that Polish exports to Sweden diminished somewhat in 1967. This was primarily due to a certain slackening in the economic activity as a whole in Sweden last year. Overall imports to Sweden were thus more or less stable. The decrease in imports from Poland was mainly limited to a few commodities such as coal and sulphur, which are both liberalized. The long-term trend in the demand of coal is negatively affected by the gradual transition to other fuels. Polish exports of sulphur have already increased again as the price situation has now become more clear.

A further liberalization of Swedish exports to the socialist countries was also introduced as of 1 March 1968. The few remaining restrictions mostly concerning exports of arms are equally applied to all countries.

A new long-term Trade Agreement between Sweden and Poland covering a period of five years was negotiated in May 1968.
ANNEX VI

Statements on Removal of Quantitative Restrictions Made in the Working Party

COMMISSION OF THE EUROPEAN COMMUNITIES

Items on which the member States of the European Economic Community do not apply the quantitative restrictions referred to in paragraph 3 of the Protocol of Accession of Poland to GATT:

<table>
<thead>
<tr>
<th>Member State</th>
<th>Total number of items</th>
<th>Items liberalized</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1,097</td>
<td>889</td>
<td>83%</td>
</tr>
<tr>
<td>Italy</td>
<td>&quot;</td>
<td>886</td>
<td></td>
</tr>
<tr>
<td>Benelux</td>
<td>&quot;</td>
<td>974</td>
<td>90%</td>
</tr>
<tr>
<td>Germany, Fed. Rep of</td>
<td>Statistical items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,166</td>
<td>5,180</td>
<td></td>
</tr>
</tbody>
</table>

Comments:

Italy: 49 items have been liberalized as a result of the bilateral agreement concluded between Italy and Poland in February 1968.

France: Of the 208 tariff items still subject to restrictions, 83 are only partially affected. Since 1 August 1967, 25 items have been liberalized, of which 9 completely and 16 partially.

Germany, Federal Republic of: 954 items have recently been liberalized; of which 58 in the agricultural sector and 896 in the industrial sector.
BENELUX

On behalf of the Benelux countries I would like to state that Benelux, among the countries of the Community, has gone farthest in freeing imports from Poland from quantitative restrictions. In a total of 1,097 Community tariff items Benelux has abolished quota restrictions on 974 items. We believe we can look back on this with some satisfaction even if it is freely admitted that the remaining restricted items still contain some of great export interest to Poland. Benelux therefore tried to enlarge trade possibilities by offering larger import quotas on the occasion of recent trade negotiations with Poland. Unfortunately these negotiations were not entirely successful. The countries of Benelux will, however, renew their efforts in this direction in the future.

FRANCE

If we divide the period since Poland's accession to GATT became operative; 223 of the 1,097 four-figure items contained in the French customs tariff were still subject to quantitative restrictions before 31 July 1967, of which 139 totally and 84 partially. Since 1 August 1967, there has been an appreciable improvement, since 25 new items have been liberalized, of which 9 totally and 16 partially. Thus, 208 items in the customs tariff are still subject to quota restrictions, of which 125 totally and 83 partially (partial items). Expressed as a percentage of the whole, 80 per cent of all customs tariff items are totally liberalized or partially liberalized vis-à-vis Poland.

GERMANY

In December 1967, in other words after the accession of Poland to GATT, the Government of my country added to the number of products no longer subject to quantitative restrictions vis-à-vis Poland. Fifty-eight statistical headings were liberalized in the agricultural sector and 896 in the industrial sector. I realize that these measures cover only a relatively limited proportion of imports from Poland. Even so, up to the present time, 51 per cent of the statistical headings in the agricultural sector and 65 per cent in the industrial sector have been liberalized.

My Government is fully aware of its obligations under the Protocol of Accession. It is, consequently, examining the possibility of progressively removing the remaining quantitative restrictions.

ITALY

In recent years, the increase in trade between Italy and Poland has been more than satisfactory.

It is hoped that it will further increase as a result of the implementation of the Protocol.
With respect to measures pursuant to Article 3(a) of the Protocol, on the occasion of bilateral negotiations with the Polish Government and also as an autonomous measure Italy has recently liberalized 49 items and sub-items of the customs tariff.

These and earlier liberalizations covering 837 customs items and sub-items, together add up to 886 items and sub-items, a figure which represents substantial progress towards the removal of quantitative restrictions.

Italy attaches great importance to these liberalization measures, even though they must remain, for some time yet, of a unilateral and revocable character. This, of course, does not imply that the Italian Government is opposed to taking more concrete steps in the near future within the framework of the provisions of Article 3(a) of the Protocol.

ANNEX VII

Foreign Trade Planning of Poland

/Spec(68)367/