1. The Council agreed at its meeting on 21 May 1969 to establish a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the second annual consultation with the Government of Poland provided for in paragraph 5 of the Protocol of Accession, and to report to the Council. Mr. A. Langeland (Norway) was nominated chairman of the Working Party.


3. The Working Party had before it the following documents containing information relevant to the consultation:

   L/3141 and addenda: notifications by contracting parties on restrictions maintained on imports from Poland.


   L/3264: information on the foreign trade planning of Poland for 1969.

   Several members of the Working Party pointed out that important parts of the documentation for the second consultation had not been circulated in time to allow the members of the Working Party to examine it carefully before the consultation.

4. The representative of Poland, in an opening statement, gave some data on the economic development in Poland. He also furnished further figures concerning Poland's trade with contracting parties in 1967 and 1968 and explained the views of his Government on the implementation of the provisions of the Accession Protocol. The text of the statement is reproduced in the Annex hereto. Some members of the Working Party pointed out that they could not accept some of the figures presented by the Polish representative as relevant for the consultation (cf. Section II(a) below).
5. The Working Party agreed that the consultation should follow the Plan for the Annual Review, as annexed to the Protocol for the Accession of Poland.

I. Polish exports to the territories of contracting parties

(a) The general trend and geographical distribution of Polish exports to the territories of contracting parties. Has there been an unexpected decline or increase in Polish exports?

6. The Working Party noted that the export increase to the GATT countries in 1968 had been 7.7 per cent as could be seen from Annex I to document L/3261. The representative of Poland explained that the development of Poland’s exports to different categories of GATT Member countries varied considerably. The average figure for the export increase from 1967 to 1968 was 4.9 per cent for GATT Member countries with a market economy and 17 per cent for Member countries with a socialist system. The exports to developing countries had decreased by 0.8 per cent. Overall exports had progressed by 14.8 per cent.

7. The representative of Poland said that there had been no unexpected decline or increase in Polish exports in 1968. The market situation had, on the whole, remained unchanged. Furthermore, there had been no spectacular development with regard to the removal of barriers to Polish trade.

(b) Development of Polish exports of different categories of goods, e.g., agricultural goods, raw materials, semi-manufactured goods, machinery and consumer goods

8. The representative of Poland gave the following figures for Polish exports within the four main commodity groups:

<table>
<thead>
<tr>
<th>commodity group</th>
<th>Share of total exports in 1968</th>
<th>Increase in exports to GATT countries from 1967 to 1968 in $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>to GATT countries</td>
<td>to all countries</td>
<td>to GATT countries</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>18.3%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Raw materials, fuels and semi-finished products</td>
<td>43.5%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Agricultural produce and foodstuffs</td>
<td>27.6%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Manufactured consumer goods</td>
<td>10.6%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>
(c) Action taken by contracting parties under paragraph 3 of the Protocol
to remove remaining quantitative restrictions on imports from Poland

9. The Working Party noted that the Director-General on 13 May 1969 had issued an invitation to contracting parties to notify for the purposes of paragraph 3 of the Protocol of Accession such prohibitions or quantitative restrictions which they had maintained on 30 June 1967 on imports from Poland and action taken or envisaged by them towards removing the discriminatory element in such restrictions. It was explained by the secretariat that the invitation represented an attempt to meet the request of the Working Party, which had conducted the first consultation with Poland, to the secretariat to study the notification procedure and prepare a document thereon (BISD, Sixteenth Supplement, page 70, paragraph 16). The invitation, which had thus been circulated by the Director-General on his own responsibility, had suggested that the procedure adopted by the Council in February 1962 for notifying residual import restrictions could be used also for notifications under paragraph 3 of the Protocol for the Accession of Poland.

10. The Working Party 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
- Burma
- Czechoslovakia
- Japan
- Nigeria
- Australia
- Canada
- India
- Madagascar
- South Africa
- Brazil
- Chile
- Ireland
- New Zealand
- United States

11. The Working Party took note of the notifications on quantitative restrictions submitted by:

- Austria
- Finland
- Sweden
- Denmark
- Malta
- Switzerland
- European Communities and member States
- Norway
- United Kingdom

12. The Working Party noted that notifications had been received from twenty-nine contracting parties only; forty-four contracting parties had thus not responded to the invitation to notify restrictions maintained on imports from Poland.
13. Several members of the Working Party stressed the inadequacy of the information supplied. In order to be able to see clearly the extent of liberalization measures taken, they felt that full details should be given on specific items, defined in customs tariff or statistical nomenclature, subject to quantitative restrictions, size of individual quotas giving breakdown into monetary or other easily assessable value, ratio of total imports from Poland which were subject to quantitative restrictions, and comparison between current level of quantitative restrictions and those in effect on 30 June 1967. In the view of the information provided these members felt that a valid conclusion could not be reached with regard to the progress made in relaxing the discriminatory element.

14. The representative of the Commission of the European Communities said that it was essential to keep apart the procedural aspect - the form in which the notifications should be submitted - and the substantive question whether the requirements of paragraph 3 of the Protocol had been met, i.e. whether the discriminatory element had been increased or relaxed. With regard to the Communities, it could be clearly seen from the notification that its commitments had been fulfilled, either through the increase of quotas or through the implementation of new liberalization measures. It should further be noted that it did not appear from any of the notifications reproduced in L/3241 and addenda that any contracting party had increased the discriminatory element in its restrictions; several contracting parties had, on the contrary, relaxed the discriminatory element in their restrictions, and the contracting parties had thus fulfilled their commitments towards Poland in conformity with the provisions of paragraph 3 of the Accession Protocol.

15. The representative of Sweden said that the number of quotas in Sweden had not changed since the previous consultation but the size of the quotas was being continuously increased. The Swedish quotas represented real limitations only in three sectors: textiles, footwear and chinaware.

16. In reply to questions, the representative of Denmark explained, with regard to the notification reproduced on page 2 of L/3241, that the increase in the quotas had been judged to be "sufficient in relation to the marketing possibilities" when the increased quotas had not been fully utilized. The figure, 7 per cent, for the
increase in quotas for commodities involving market disruption risks had been agreed to in bilateral negotiations with Poland; it had been fixed at 7 per cent in order to correspond to the figure for the Polish import commitment.

17. The representative of Austria said that presently 77 per cent of imports from Poland were liberalized. Many more items would be liberalized with effect from 1 January 1970 as a result of negotiations with Poland in September 1969.

18. The representative of Poland stated that the information submitted concerning the prohibitions and quantitative restrictions applied to imports from Poland inconsistently with the provisions of Article XIII of GATT was insufficient and inadequate. This was valid particularly with regard to the notification by the Commission of the European Communities. He declared that Poland could not accept the notification by the Commission as complying with the terms of the Protocol of Accession. He stated furthermore that the requirements of paragraph 16 of the Report on the First Review under the Protocol of Accession (BISD, Sixteenth Supplement, page 70) had not been met. He felt that according to the provisions of paragraph 3(a) and (b) of the Protocol of Accession, the information in question should specify:

(i) prohibitions and quantitative restrictions maintained on 30 June 1967 on imports from Poland; and

(ii) action taken or envisaged under paragraph 3(a) towards removing such restrictions, and the results of such action.

He suggested that the Working Party should adopt the following procedure for implementing those measures:

The contracting parties should notify the secretariat all data and measures in accordance with (i) and (ii) above not later than on 31 January 1970. The secretariat should examine the data and information received and prepare an analytical report to the Working Party so that it could meet in order to examine the report not later than on 30 April 1970.

Some members of the Working Party supported the Polish proposal, but other members indicated that it was not acceptable to them.
19. The representative of Poland said that some relaxation of restrictions on imports from Poland during the period under review had resulted from other reasons and had no connexion with Poland's accession to GATT. He stressed that Poland's main purpose in acceding to GATT was the hope to get full most-favoured-nation treatment. However, this did not seem to have been the case. Moreover, it was even impossible to get a clear picture of the existing situation since some contracting parties declined to provide the necessary information to this end. He further stated that the particular character of the notification by the Commission of the European Communities created a new situation. The so-called positive list containing 435 items was a step backwards as compared to the items liberalized under bilateral agreements between Poland and the member countries of the Communities. The "consolidated list" was highly discriminatory in relation to the list applied by the European Economic Community vis-à-vis other contracting parties. Poland, therefore, could not accept such a list which, if accepted, could place her in a very unfavourable situation in the future when a common commercial policy by the Community was implemented.

20. On the basis of the information received from contracting parties, it was not established by the members of the Working Party that the discriminatory element in restrictions on imports from Poland had been increased. The information received also suggested that progress had been made towards relaxation of the discriminatory element in such restrictions. However, in the view of some members of the Working Party, the notifications received were not adequate to enable the Working Party to draw valid conclusions with regard to the questions raised in paragraph 3(a) of the Protocol of Accession.

21. The Working Party requested the secretariat, in preparation for the third annual consultation and in consultation with the most interested delegations, to study the question of form and content of notifications for the purpose of item 1(c) under the plan for the annual review and to prepare a document thereon. It was recalled that during the third annual consultation the CONTRACTING PARTIES should in the light of all relevant circumstances consider the establishment of a date for the termination of the transitional period, referred to in paragraph 3(a) of the Protocol of Accession of Poland to GATT. The Working Party was of the
opinion that the document in question should be submitted to the Council at the same time as the Council would consider the establishment of the Working Party for the third annual consultation, but in any case not later than on 30 April 1970.

22. The following members of the Working Party indicated that they would wish to take part in the consultations with the secretariat on the form and content of the notifications: Australia, Canada, European Communities, Finland, Japan, Poland, Sweden, United Kingdom and United States.

(d) Other questions relating to the exports of Poland to the territories of contracting parties in the period under review, including any problems arising of the sort provided for by, or any action taken under paragraph 4 of the Protocol

23. The Working Party noted that no action had been taken under paragraph 4 of the Protocol. There were no further comments under this heading.

II. Polish imports from the territories of contracting parties

(a) The general trend and geographical distribution of Polish imports from the territories of other contracting parties. Did actual Polish imports reach the quantities or values provided for in the period under review? If not, what was the reason for the shortfall in Polish imports?

24. The Working Party noted that according to the trade figures reproduced in Annex II to document L/3261, the increase in Poland's imports from GATT countries from 1967 to 1968 was 6 per cent. The representative of Poland pointed out that on the basis of the figures for the balance-of-payments transactions, prepared by the Bank of Poland, it could be established that the Polish expenditure on imports from GATT Member countries had increased by 8.2 per cent in 1968 in relation to 1967. He also stressed that imports from various types of GATT countries had not developed in a uniform manner in 1968, as had also been the case for Polish exports (cf. paragraph 6 above). Imports from GATT Member countries with a market economy had increased by 9.7 per cent, while imports from socialist countries in GATT had decreased by 5.3 per cent. Imports from developing countries members of GATT had increased by 14.2 per cent. Overall imports had progressed by 9 per cent.
25. The representative of Poland, on the basis of the figures referred to in the previous paragraph, asserted that Poland had fulfilled its obligations under the terms of the Protocol of Accession. He stressed that in evaluating the figures relating to the fulfilment of Poland's commitment, the Working Party should give equal importance to the two sets of figures supplied by the Government of Poland.

26. While maintaining his views on the relevance of the payments figures, the representative of Poland said that there were several reasons for the apparent shortfall in the trade figures. The main reason was that the maintenance of discriminatory import restrictions in some of Poland's main markets had adversely affected Polish exports; the trade deficit had increased in 1968 by $17 million to $58 million which had had repercussion on imports. There had been unforeseen delays in the delivery of some capital goods and of some imports from developing countries. There had been further unexpected delays in imports because foreign trade enterprises, which in the course of the Polish foreign trade reform had been given much wider powers in conducting their business, had decided to postpone purchases abroad in the hope of enjoying the benefits of the expected devaluation of some foreign currencies.

27. The representative of Poland also recalled that imports from market-economy countries in GATT had increased by 9.7 per cent - well above the 7 per cent foreseen in the import commitment - while imports from socialist countries in GATT had decreased by 5.3 per cent. He pointed out that the difference between a 6 and a 7 per cent increase corresponded to two days' imports in December, the peak import month. He further stressed that the figures in document L/3261 were based on f.o.b. prices; if Poland had used c.i.f. prices - which would have been perfectly permissible - the import increase would have been considerably above 7 per cent, since freight rates had gone up in 1968.

28. Most representatives noted that the trade statistics reproduced in document L/3261 showed that Poland's import from GATT countries had increased by 6 per cent in 1968 and that Poland had thus not fulfilled its commitments under the Protocol of Accession to increase imports by 7 per cent. They did not consider that the payments figures submitted by Poland were relevant when judging the development of imports under the Accession Protocol. The Schedule of Poland did
in fact only refer to a commitment in relation to imports to be carried out by Poland. Any distinction between contracting parties was, furthermore, not in conformity with the provisions of the Protocol of Accession. It was pointed out that the Polish import commitment was a global one and that the fact that it had been fulfilled in relation to certain categories of contracting parties would not release Poland from its obligation to fulfil it in relation to the contracting parties as a whole.

29. Two members of the Working Party noted that there had been a decline in their exports to Poland from 1967 to 1968. Neither of them maintained any discriminatory restrictions on imports from Poland, and they felt that countries maintaining such restrictions had used them in order to negotiate better access to the Polish market. Another member of the Working Party pointed out that imports into Poland from his country had also decreased, although there were restrictions on imports from Poland into his country; it could thus not be argued that the maintenance of restrictions automatically put a government in a better negotiating position. The representative of Poland said that in cases where bilateral clearing agreements were in force, the balancing of trade might at times lead to a decrease in the exports from a particular country. It might also be the case that Poland's exports were unable to increase fast enough due to insufficient adjustment to the needs of particular markets.

30. Some members of the Working Party said that they appreciated the special circumstances, specially in the form of residual import restrictions, that had made it difficult for Poland to fulfil its commitment. Other members pointed out that it could not be argued that the maintenance of quantitative restrictions by some contracting parties and the resulting export difficulties justified a shortfall in Polish imports. Polish exports to GATT countries had increased in 1968 by 7.7 per cent, i.e. more rapidly than the import increase foreseen in the Polish Schedule. It was also clear that Polish exports to some contracting parties had increased particularly rapidly in sectors where restrictions were still maintained.
31. A member of the Working Party said that in order to promote imports into Poland, it was essential that exporting enterprises in other countries could have permanent representations in Poland. He asked whether any action had been taken in order to facilitate the establishment of such representations.

32. It was noted by some members of the Working Party that the increase in Polish imports in 1968, $70.4 million, was unevenly distributed. Polish imports from the member countries of the European Communities had increased by $86.5 million, or 31.6 per cent. There had been considerable import increases from, inter alia, India ($13.5 million), United Arab Republic ($9.5 million), Switzerland ($6.2 million), Tunisia ($5.3 million) and Sweden ($4.2 million). Imports had, on the other hand, decreased from, inter alia, the following countries: Indonesia ($8.9 million), Yugoslavia ($7.3 million), Czechoslovakia ($6.7 million), Canada ($5.8 million), Denmark ($5.3 million), Greece ($5.2 million) and Israel ($4 million).

33. Some representatives questioned whether Tunisia and the United Arab Republic, which had acceded provisionally to GATT, should be included amongst the GATT countries in the Polish import figures. It was agreed that it was justified to treat them in the same manner as contracting parties as they were entitled, under the declarations on their provisional accession, to receive the benefit of the concessions contained in the schedules annexed to the General Agreement.

34. Two members of the Working Party pointed out that, as Polish imports had fallen short of the quantities or values provided for in the Schedule of Poland, the CONTRACTING PARTIES should, in accordance with paragraph 6 of the Protocol of Accession, make such recommendations as they considered appropriate. The two members suggested that the CONTRACTING PARTIES should recommend that Poland should increase its imports in 1969 and/or 1970 to such an extent that the shortfall in 1968 was compensated for. Another representative pointed out that it would not be reasonable to expect Poland to increase its imports more rapidly than foreseen as long as discriminatory restrictions were maintained on imports from Poland.
35. The Chairman said that there were obviously two divergent views in the Working Party. Poland maintained on the basis of the payments figures for 1968 that it had met its import commitment. Most other members of the Working Party were of the opinion, based on the Polish trade statistics, that Poland had not fulfilled its commitment.

(b) Development of Polish imports of various categories of goods (e.g. agricultural goods, raw materials, semi-manufactured goods, machinery and consumer goods) from the territories of contracting parties in relation to development of Polish imports from other countries

36. The representative of Poland said that the development in 1968 in the four main commodity groups had been:

<table>
<thead>
<tr>
<th>Share of total imports in 1968</th>
<th>Increase in imports from 1967 to 1968</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>from GATT countries</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>34.5%</td>
</tr>
<tr>
<td>Raw materials, fuels and semi-finished products</td>
<td>48.7%</td>
</tr>
<tr>
<td>Agricultural products and foodstuffs</td>
<td>13.2%</td>
</tr>
<tr>
<td>Manufactured consumer goods</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

37. A member of the Working Party said that it would have been useful if the Polish Government could have provided import figures by product and by country for major imports and not only figures for the four main categories. The representative of Poland replied that such detailed statistics were available in Polish in Poland's Statistical Yearbook. It would, however, be a tremendous task to have them translated into English or French.
(c) Development of Polish imports from the territories of contracting parties in relation to development of the Polish market

38. The representative of Poland said that from 1967 to 1968, Poland's gross national product had increased by 10 per cent. The so-called wage fund had increased by 8 per cent and real wages per capita by 2 per cent. Turnover of domestic trade had gone up by close to 9 per cent and total imports had increased by 9 per cent.

39. A member of the Working Party pointed out that the figures presented by the representative of Poland showed clearly that the share of imports from GATT countries in the Polish market was diminishing.

40. Another member recalled that figures supplied by Poland at the previous consultation had shown that imports from contracting parties had accounted for between 44 and 47 per cent of total Polish imports in the years 1963 to 1967. In 1968 the share had dropped to 42.3 per cent.

(d) Provision made by Poland pursuant to paragraph 1 of the Schedule of Concessions of Poland to ensure an annual increase in the total value of its imports from the territories of contracting parties

41. The representative of Poland recalled that it had been made clear during the first consultation under the Protocol of Accession that the targets of the Polish foreign trade planning were not broken down by geographical sectors. Nevertheless, in order to meet the wishes of some members of the Working Party, estimates had been made with respect to the probable evolution of Poland's imports from GATT countries in 1969 and 1970.

42. In the light of the statistics for the first eight months of 1969 - which showed an import increase in relation to the same period 1967 by 6.9 per cent - the following estimates had been made for the whole of 1969:
43. The representative of Poland emphasized that the plan for 1970 aimed at a proper fulfilment of Poland's obligations towards the GATT countries. Exact estimates of imports in 1970 would not be available until December 1969. It was, however, expected that total imports from GATT countries would reach the amount of $1,430 million in 1970, i.e. an increase in comparison with the estimated performance in 1969 by about 7.4 per cent.

44. The representative of Poland underlined that the estimates for 1969 and 1970 were based on stable conditions in the main import markets and a progressive removal of quantitative restrictions in accordance with the Protocol of Accession. He also pointed out that the gradual relaxation of the element of central planning in the Polish foreign trade system made it more difficult to make exact forecasts.

45. The Working Party noted that the estimates supplied by the representative of Poland indicated that Polish imports from GATT countries would increase by 7.1 per cent from 1968 to 1969 and by 7.4 per cent from 1969 to 1970, thus meeting Poland's import commitment for those two years as established in the Schedule of Poland. One representative, however, referred to the views expressed by him in connexion with the discussion on Polish imports in 1968 (cf. paragraph 34 above) and said that he considered that Poland should increase its imports above the commitment in order to compensate for the shortfall in 1968.

<table>
<thead>
<tr>
<th>import category</th>
<th>Imports in 1968 (in $ million)</th>
<th>Estimates for 1969</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>423.9</td>
<td>490</td>
<td>15.6</td>
</tr>
<tr>
<td>Raw materials and semi-manufactures</td>
<td>605.6</td>
<td>615-618</td>
<td>1.6</td>
</tr>
<tr>
<td>Foodstuffs</td>
<td>163.6</td>
<td>175</td>
<td>7.0</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>48.8</td>
<td>55</td>
<td>12.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,241.9</strong></td>
<td><strong>1,331</strong></td>
<td><strong>7.1</strong></td>
</tr>
</tbody>
</table>
(e) Other questions relating to imports of Poland from the territories of contracting parties

46. Members of the Working Party recalled that at an earlier stage of the consultation questions had been asked regarding improved possibilities for foreign companies to promote the sale of their products in Poland (cf. paragraph 31 above). The representative of Poland replied that there were no limitations in so far as contacts with end consumers in Poland were concerned. In connexion with the wider authority given to various foreign trade enterprises, those enterprises had increased possibilities to enter into direct contacts with foreign suppliers. Not only foreign trade enterprises but also Polish producers which were not directly engaged in foreign trade could take part in such talks.

III. Polish balance of payments with contracting parties

47. The Working Party heard an explanation by the representative of Poland concerning the balance-of-payments situation of Poland with regard to its relations with the contracting parties. The Working Party noted with satisfaction that it did not seem likely that the present balance-of-payments situation would interfere with the fulfilment of Poland's commitments for 1969 under the Protocol of Accession.
ANNEX

Statement by the Head of the Polish Delegation

[Spec(69)137]