1. The Council at its meeting on 21 April 1971 established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the fourth annual consultation with the Government of Poland provided for in the Protocol of Accession, to re-examine the question of the establishment of a date for the termination of the transitional period referred to in paragraph 3(a) of the Protocol and to report to the Council.

2. The Working Party met on 11-13 October 1971 under the chairmanship of Mr. J.E. Larsen (Denmark).

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

- L/3556 Note by the delegation of Poland on the removal of discriminatory import restrictions
- L/3576 Data on Poland's trade with GATT countries in 1968, 1969 and 1970
- L/3576/Add.1 Data on Poland's trade with GATT countries in the first half of 1971
- L/3577 and addenda 1-11 Notifications by contracting parties on discriminatory restrictions maintained on imports from Poland

4. The following report sets down the main points of the discussion in the Working Party under the two headings:
A. Annual review of Poland's trade with contracting parties

B. Establishment of a date for the termination of the transitional period in paragraph 3(a) of the Protocol of Accession of Poland

A. Annual review of Poland's trade with contracting parties

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?

5. The Working Party noted that the increase in Poland's exports to GATT countries from 1969 to 1970 had been 13.2 per cent. In absolute terms the exports to GATT countries had increased from US$1,299.3 million to US$1,470.3 million. Exports to all countries had increased from 1969 to 1970 by 12.9 per cent, from US$3,143.3 million to US$3,547.6 million. The representative of Poland stressed that exports to developed market economy countries had showed a particularly high rate of growth - 18.9 per cent - mainly attributable to increased exports of fuels, raw materials, machinery and equipment.

6. The representative of Poland said that there had been no unexpected decline or increase in Polish exports in 1970.

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

7. The representative of Poland gave the following figures for the share in total exports of the four main commodity groups:
<table>
<thead>
<tr>
<th>1969</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To GATT countries</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>21.1%</td>
</tr>
<tr>
<td>Raw materials, fuels and semi-finished products</td>
<td>43.9%</td>
</tr>
<tr>
<td>Agricultural products and foodstuffs</td>
<td>23.7%</td>
</tr>
<tr>
<td>Manufactured consumer goods</td>
<td>11.3%</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

8. The Working Party noted that the following contracting parties had notified that they did not maintain any discriminatory restrictions of the kind referred to in paragraph 3 of the Protocol:

- Argentina
- Australia
- Brazil
- Cameroon
- Canada
- Ceylon
- Chile
- Cuba
- Czechoslovakia
- Iceland
- Indonesia
- Ireland
- Japan
- Kenya
- Korca, Rep. of
- New Zealand
- Nigeria
- South Africa
- Spain
- Turkey
- United States
- Upper Volta
- Uruguay
- Yugoslavia

9. The Working Party noted that the following contracting parties had notified, within the framework of the examination of Non-Tariff Barriers, that they did not discriminate in the operation of their import restriction systems:

- Burundi
- Chad
- Cyprus
- Gabon
- Israel
- Ivory Coast
- Kuwait
- Portugal
- Rwanda
- Sierra Leone

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

- Austria
- Denmark
- European Communities and member States
- Finland
- Malta
- Norway
- Sweden
- Switzerland
- Trinidad and Tobago
- United Kingdom
11. The Working Party noted that notifications had been received from forty-nine contracting parties in 1971; in 1970 thirty-two countries only had submitted notifications.

12. The representative of Poland noted with satisfaction that the number of notifications received by the secretariat had increased in comparison with the previous consultation. He also recognized that the accuracy of the notifications had improved somewhat; there were, however, still some notifications which were not in conformity with the guidelines and which were lacking in clarity to such an extent that it was impossible to judge whether any progress had been made towards the elimination of the restrictions.

13. Several delegations associated themselves with the views expressed by the representative of Poland with regard to the clarity of the notifications.

14. With regard to individual notifications submitted for the Fourth Consultation, the notifying countries supplied the following additional information:

**Austria:** On 1 January 1971, 184 items were removed from the list of products subject to discriminatory restrictions. The liberalization movement would continue.

**EEC:** The number of discriminatory restrictions abolished between 1 July 1970 and 30 June 1971 was 135. Twenty-four items had been liberalized in Germany, twenty-seven in France, sixty-nine in Italy and fifteen in Benelux. Between 1967 and 1971 the number of tariff positions subject to discriminatory restrictions had been reduced from 690 to 444. Because of the different methods of delimit quotas in the member States, it was impossible to give exact figures for the enlargement of quotas. In the year under review, many quotas had, however, been increased by up to 30 per cent.

**Sweden:** The size of some quotas had been enlarged. Of the quotas in force, only three (finished textiles, footwear and porcelain) represented real limitations, as could be seen from the import figures in L/3577/Add.1. Those limitations were justified for economic and social reasons.
United Kingdom: After the extensive liberalization undertaken on 1 May 1970, the number of discriminatory restrictions had remained unchanged. The size of several quotas had, however, been increased. The total value of quotas for imports from Poland had gone up from £8.8 million in 1968 to £10.2 million in 1971 although the number of items subject to quotas had been considerably reduced in the same period.

15. Members of the Working Party which had notified that they maintained discriminatory restrictions on imports from Poland said that it was clear from their notifications and from additional information given orally at the meeting that they had fulfilled their commitment under paragraph 3(a) of the Protocol. The Working Party noted that none of the countries concerned had increased the discriminatory element in restrictions maintained by them or introduced new discriminatory restrictions and that action had been taken towards relaxation of the discriminatory element in existing restrictions.

16. The representative of Poland and other members of the Working Party expressed concern over the slow movement towards abolition of discriminatory restrictions. They urged the countries maintaining such restrictions to expedite the removal or relaxation of them.

17. The representative of Poland said that the importance of the relaxation of the restrictions could be seen from the fact that Poland's exports of machinery - where important liberalization had taken place - had gone up in 1969/70 by 37 per cent.

18. In order to improve the clarity of the notifications, the members of the Working Party maintaining discriminatory restrictions agreed that in future notifications they would include a statement indicating that they had not increased the discriminatory element in restrictions and that they had progressively relaxed it.

(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.

19. The Working Party noted that no action had been taken under paragraph 4 of the Protocol.
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?

20. The Working Party noted with satisfaction that, according to the trade figures reproduced in Annex II to document L/3576, the increase in Poland's imports from GATT countries from 1969 to 1970 had been 7.9 per cent; it thus exceeded the Polish commitment.

21. One delegation expressed concern over the disharmonious development of Poland's purchases. On one hand, certain important trading partners of Poland had seen their sales to that country stagnate, and on the other hand the share of contracting parties in Poland's total imports had shown a tendency to decrease rather than to increase after the accession of Poland to GATT.

22. The representative of Poland replied that a reorientation of Polish imports had taken place in 1970, whereby more emphasis had been put on the importation of consumer goods and agricultural products. Such a reorientation had as an inevitable consequence that imports would decrease from some countries and increase from others.

(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.

23. The representative of Poland pointed out that total foreign trade of Poland in 1970 had increased by 12.7 per cent to US$7,155.1 million. Trade with GATT countries had increased by 10.5 per cent to US$2,934.6 million. Total imports
had increased in 1970 by 12.4 per cent to US$3,607.5 million; corresponding figures for imports from GATT countries were 7.9 per cent and US$1,464.3 million.

24. With regard to the development of imports in the four main categories of goods, the Working Party noted that the share of total imports in 1969 and 1970 had been:

<table>
<thead>
<tr>
<th></th>
<th>1969 From GATT countries</th>
<th>1969 From all countries</th>
<th>1970 From GATT countries</th>
<th>1970 From all countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>35.6%</td>
<td>36.9%</td>
<td>32.7%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Raw materials, fuels and semi-finished products</td>
<td>49.9%</td>
<td>47.0%</td>
<td>50.7%</td>
<td>47.8%</td>
</tr>
<tr>
<td>Agricultural products and foodstuffs</td>
<td>10.4%</td>
<td>10.4%</td>
<td>12.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Manufactured consumer goods</td>
<td>4.0%</td>
<td>5.7%</td>
<td>4.3%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

(c) Development of Polish imports from the territories of contracting parties in relation to development of the Polish market

25. The representative of Poland said that the total output of Polish industry had grown by 8.4 per cent from 1969 to 1970. Agricultural output had increased by 2.1 per cent and real national product by 5.7 per cent. Against the background of those figures, the increase of foreign trade by 12.7 per cent (exports by 12.9 per cent, imports by 12.4 per cent) showed that foreign trade was the sector expanding most rapidly.

26. The share of GATT countries in Poland's total foreign trade was 41 per cent in 1970; in 1969 the same share had been 41.8 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**

27. The representative of Poland recalled that 1971 was the first year in which Poland was to implement its import commitment vis-à-vis the contracting parties in a new, modified form. He wished to state most emphatically that it was the firm intention of his Government to fulfil its commitment.

28. In general, the economic development in Poland in 1971 was characterized by a somewhat slower growth rate of the industrial output in comparison with the previous years and with regard to foreign trade by a higher growth of exports than of imports. During the first seven months of 1971 the total industrial output had increased by 6-7 per cent over the same period of the preceding year, the investment spendings had risen by 6 per cent, while the value of exports had increased by 8.4 per cent and that of imports by 4.6 per cent.

29. Data for the first half of 1971 showed, as could be seen from the statistics reproduced in L/3576/Add.1, only a moderate 1.4 per cent increase of imports from the contracting parties over the same period of 1970. In this connexion it should be borne in mind that as a result of a certain reorientation of the Polish import structure more financial resources had been allocated to imports of consumer goods and agricultural products with a view to improve the demand-supply balance on the domestic market, which had obviously resulted in some decline of the growth rate for the imports of machinery and equipment, especially of single machines. At the same time, however, larger contracts, in terms of value, had been placed on imports of complete technological lines and industrial plants; due to their very nature, these imports would come into the import statistics only at a later stage.

30. According to the estimates imports from GATT countries would increase by over 6 per cent in 1971. With regard to the year 1972, an 8 per cent increase of the imports from the contracting parties over the year 1971 was envisaged.
31. A member of the Working Party pointed out that it was likely that Romania would become a contracting party in the very near future. He asked how it was envisaged that trade with Romania would be taken into account in the coming years when calculating the import increase from contracting parties. It was agreed that it was essential that imports from new contracting parties were treated in the same manner in respect of the base year as in respect of the year for which the increase was to be calculated.

(e) Other questions relating to imports of Poland from the territories of contracting parties

32. There was no discussion under this heading.

III. Polish balance of payments with contracting parties

33. The Working Party heard an explanation by the representative of Poland concerning the balance-of-payments situation of Poland with regard to its relation 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 commitment under the Protocol of Accession.

34. A member of the Working Party pointed out that in the information relating to Poland's balance of payments, the import increase from contracting parties in 1970 was given at 10.7 per cent, while the corresponding figure in the trade statistics was 7.9 per cent. The representative of Poland replied that the balance-of-payments figure related to imports which had actually partly taken place earlier than in 1970.

35. The representative of Austria said that the system of payments between Poland and his country would be based on convertible currencies with effect from 20 October 1971.

B. Establishment of a date for the termination of the transitional period in paragraph 3(a) of the Protocol of Accession

36. The Chairman recalled that the Working Party that had carried out the Third Consultation under the Protocol of Accession of Poland had not been able to agree on a date for the termination of the transitional period for the abolition of discriminatory restrictions. The question had therefore to be re-examined at the Fourth Consultation.
37. The representative of Poland said that foreign trade was of extreme importance to his country. When Poland had acceded to GATT in 1967, it had expected to receive most-favoured-nation treatment. Poland, on its side, had fulfilled its GATT obligations, and it felt that the time had come to terminate the period during which other contracting parties were allowed to discriminate against Poland. In the opinion of the Polish Government 31 December 1974 was a reasonable terminal date by which all discriminatory restrictions should be eliminated. The provisions of GATT itself and of the Protocol of Accession should offer sufficient guarantees against market disturbances in other contracting parties.

38. Several members of the Working Party, who had been in favour of a similar Polish proposal at the 1970 Consultation, confirmed that they were supporting the Polish proposal set out in paragraph 37.

39. The representatives of the countries still maintaining discriminatory restrictions said that their position remain unchanged from the previous consultation. They could accept the formula set out in paragraph 42 of the Report on the Third Review (L/3475).

40. In an effort to make it possible to reach a compromise, the Chairman proposed the following text:

"Contracting parties still maintaining prohibitions or quantitative restrictions non-consistent with Article XIII of the General Agreement shall not increase the discriminatory element in these restrictions, undertake to remove them progressively and shall have as their objective to eliminate them before the end of 1974, that is, before the end of the transitional period. Should this agreed objective not be achieved and for exceptional reasons, should a limited number of restrictions still be in force as of 1 January 1975, they would be the subject of an examination by the Working Party with a view to their elimination."

41. Some members of the Working Party were prepared to accept this text. Other members, however, indicated that it was, for substantive and legal reasons, not acceptable to them.
42. In view of the divergencies of opinion set out above, the Working Party was not in a position to agree on a recommendation to the Council. The representative of Poland said that his delegation wished that the proposals made in the Working Party should be brought to the attention of the Council to be discussed at its next meeting.