1. The Council at its meeting on 29 May 1972 established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the fifth 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 9-13 October 1972 under the chairmanship of Mr. A. Dunkel (Switzerland).

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

   
   L/3743 and Addenda 1-5: 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.
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 1970 to 1971 had been 12.5 per cent. In absolute terms the exports to GATT countries had increased from $1,549 million to $1,745.7 million. Exports to all countries had increased from 1970 to 1971 by 9.1 per cent, from $3,547.6 million to $3,872.3 million.

6. The representative of Poland recalled that exports to developed market economy countries had increased by 18.9 per cent in 1970; in 1971 these exports increased by 14.9 per cent.

(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 explained that his country's increase in exports in 1971 was largely due to greater dynamism in exports of machinery and equipment - the most highly liberalized sector in western countries. Exports of semi-finished products, especially coke, had also developed satisfactorily.

8. The Working Party noted the following figures for the share in total exports to contracting parties of the four main commodity groups:

<table>
<thead>
<tr>
<th>Commodities</th>
<th>1970</th>
<th>1971</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine and equipment</td>
<td>21.5</td>
<td>24.0</td>
</tr>
<tr>
<td>Raw materials and semi-manufactures</td>
<td>44.3</td>
<td>45.7</td>
</tr>
<tr>
<td>Food products</td>
<td>23.2</td>
<td>20.5</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>11.0</td>
<td>9.8</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 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
- Canada
- Cyprus
- Czechoslovakia
- Ireland
- Japan
- Malta
- New Zealand
- Portugal
- Romania
- Turkey
- United States
- Portugal
- Malta
- New Zealand
- United States

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

- Austria
- Denmark
- European Economic Community
- Finland
- Norway
- Sweden
- Switzerland
- United Kingdom

11. With regard to individual notifications submitted for the Fifth Consultation, notifying countries submitted the following additional information:

**Austria:** The representative of Austria stated that his country had, in the period under review, progressively relaxed its restrictions vis-à-vis Poland. A further 162 items had been liberalized while quotas on items still restricted had been increased. Austria had not increased the discriminatory element in restrictions applied vis-à-vis Poland. Accordingly, it was the view of the Austrian authorities that they had fulfilled the obligation under paragraph 3 of the Protocol, and it was their firm intention to continue their liberalization programme vis-à-vis Poland.

**European Communities:** The representative of the European Communities said that the Communities had continued to fulfil their commitment under paragraph 3(a) of the Protocol in that the discriminatory element in restrictions applied vis-à-vis Poland had not been increased and had been progressively relaxed. Polish exports to the Communities had increased by 67 per cent since 1969. He expressed the view that the Communities'
notification corresponded to the expectations of the Working Party at the previous year's consultations in that it indicated restrictions specifically applicable to Poland. These restrictions affected 176 full positions and 123 partial positions representing a value of $42.2 million of imports from Poland. He noted that between July 1971 and July 1972 restrictions had been eliminated at Community level on thirty-one full BTN positions and eighty-four partial headings, products accounting for $28.4 million of imports from Poland. The number of full and partial headings had been reduced from forty to thirty-two in Benelux from 200 to 185 in the Federal Republic of Germany and from 195 to 154 in Italy. In France twenty-three full and partial headings had been liberalized.

Finland: The representative of Finland stated that his authorities when issuing import licences have endeavoured to take account of the wishes of Polish exporters to the extent that Finnish import restrictions have in most cases no restrictive effect on Polish exports to Finland. According to document L/3742, Polish exports to Finland had increased from 1969 to 1970 by almost 40 per cent and from 1970 to 1971 by 36 per cent - substantially more than the general increase of Polish exports. The increase in Polish exports to Finland from 1970 to 1971 in items enumerated in document L/3743/Add.1 and subject to individual licensing had been 20 per cent. Finland had not increased the discriminatory element in its restrictions applied to Poland and had fulfilled its obligations under the Protocol of Accession.

Malta: The representative of Malta explained that any licences required by Malta for imports from Poland were not associated in any way with the administration of quantitative restrictions. For imports coming from Poland, licences were freely given. As stated in Malta's notification, any restriction imposed invariably applies to all contracting parties and not Poland alone. In this way, Malta had fulfilled its obligations under the Protocol.

Norway: The representative of Norway confirmed that the list of items submitted by his authorities included all products subject to restriction and not simply those for which there were actual imports. He confirmed also that
the discriminatory element in the restrictions maintained by Norway had not been increased and that certain quotas had been enlarged.

Sweden: The representative of Sweden said that his country still maintained relatively few restrictions, all of which could be justified for social and economic reasons. Only a few of these had any real significance for Sweden's trade with Poland. The quotas had been increased in the previous year. He said that trade with Poland had developed satisfactorily in 1971, the global amount having increased by more than 20 per cent, and that trade with Poland was also in good balance.

Q2. Some delegations considered that the notification submitted by the European Communities did not comply with the guidelines adopted by the Council at its meeting on 28 April 1970 on the form and content of notifications (C/W/161) in that it did not indicate the number of zones in which a product was subject to restriction. In the absence of such information on zones, it was not possible to compare the current notification with previous notifications of the European Communities, Poland's largest trading partner. They stated that they would prefer to have notifications on a member State basis but expected that at least information as to zones should be supplied. On the basis of the notifications received, it was not possible, in the view of these delegations, for the Working Party to ascertain whether each of the member States of the Communities had fulfilled its commitments. The problem also had serious implications for future notifications of the Communities since as from 1973 these would cover restrictions maintained by three additional countries.

13. Some delegations pointed out that the figure of $28.4 million given by the European Communities in List B of their notification did not represent actual progress in liberalization but rather total imports of goods falling in this list.

14. The representative of the Communities noted that the Protocol did not contain any stipulation as to the form of notifications to be submitted by contracting parties. Moreover, the decision of the Council was not binding since it established guidelines only. He recalled that the Communities had
improved their notifications as compared to the previous year and had submitted
details in the manner envisaged in paragraph 15 of the report of the Fourth
Consultation. He recalled that some delegations had not been satisfied in
previous years with notifications presented according to zone. He pointed to
the technical difficulties for the Communities in preparing the notifications
and considered it inadvisable to change these notifications every year. He said
that decisions as to liberalization fell within the competence of the member
States and stressed that for all member States of the Communities progress had
been made towards liberalization.

15. Some delegations stated that paragraph 15 of the report referred to above
did not in any way modify the Council decision on guidelines.

16. The representative of the EEC could not accept that the Communities' notification conflicted with the Council decision. The Communities had fulfilled their commitment under paragraph 3(a) of the Protocol. The form of future notifications by the Communities could not be decided at this stage but would have to be discussed with the new acceding States.

17. The representative of Poland drew attention to the fact that some countries had been fulfilling their commitments vis-à-vis Poland at a slower pace than others; in fact, in the case of some countries no progress had been made as compared with the previous year. Other members, while acknowledging some progress in the removal of restrictions, considered that the pace of liberalization was unduly slow and called for some improvement in this respect. One member pointed out that a problem could arise in the implementation of paragraph 3(a), from the elimination of global residual restrictions if these were not eliminated vis-à-vis Poland.

18. Representatives of countries maintaining discriminatory restrictions pointed to the fact that Polish exports to their countries were expanding at a faster pace than to other countries, and concluded that quantitative restrictions did not play a significant rôle in their trade relations with Poland. Other members did not share this view and pointed to the continued assertion by Poland that its trade was hampered by the maintenance of such restrictions.
(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/3742, the increase in Poland's imports from GATT countries from 1970 to 1971 had been 18 per cent. It thus exceeded Poland's commitment of 3.5 per cent for 1971 set out in paragraph 3 of Schedule LXV - Poland (L/3498).

21. The Working Party noted furthermore that Polish imports from contracting parties in the first half of 1972 had increased by 24.1 per cent as compared to the same period of 1971 and Poland's statement that accordingly its undertaking for the two-year period 1971-72 to import a total of not less than 221.5 per cent of the value of imports in 1970 would clearly be achieved.

(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.

22. The representative of Poland stated that it was expected that Poland's foreign trade would play an increasingly important rôle in the Polish economy. He said that total foreign trade had risen in 1971 by 10.5 per cent to $7,910.3 million. Trade with GATT countries had increased by 12.5 per cent to $3,559 million. Total imports had increased by 12.2 per cent to $4,037.7 million; corresponding figures for imports from GATT countries were 18 per cent and $1,813 million.
23. 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 1970 and 1971 had been:

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>1971</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From GATT</td>
<td>From all GATT</td>
</tr>
<tr>
<td></td>
<td>countries</td>
<td>countries</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>33.4</td>
<td>36.4</td>
</tr>
<tr>
<td>Raw materials, fuel and semi-finished products</td>
<td>50.2</td>
<td>47.8</td>
</tr>
<tr>
<td>Agricultural products and foodstuffs</td>
<td>12.1</td>
<td>9.6</td>
</tr>
<tr>
<td>Manufactured consumer goods</td>
<td>4.3</td>
<td>6.2</td>
</tr>
</tbody>
</table>

24. The representative of Poland underlined the favourable trend in the structure of imports from contracting parties especially in so far as imports of capital goods and manufactured consumer goods were concerned; in particular the latter which had increased by 64 per cent in 1971. He hoped that in the future also imports of capital goods and manufactured consumer goods would grow at a faster rate than overall imports. He noted also that the structure of imports from GATT countries was similar to that of overall imports.

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

25. The representative of Poland stated that in 1971 industrial production rose by 8.3 per cent compared to 1970. Agricultural production had increased by 12.8 per cent and GNP by 11.9 per cent. He noted that the increase of total foreign trade by 10.5 per cent (exports 9.2 per cent, imports 12.2 per cent) thus exceeded the figure for increase of industrial output.

26. He stated that the rate of increase for trade with GATT countries was higher than for overall trade.
(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 stated that Poland, in increasing its imports from GATT countries in 1971 by 18 per cent had met its commitment for that year. In the first half of 1972, imports from GATT countries had increased by 24.1 per cent and according to estimates, imports in 1972 as a whole from GATT countries would substantially exceed Poland's obligations. In the first half of 1972, total production had increased by 12.5 per cent compared to the previous year.

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

28. One member expressed concern with the apparent development of a system of compensatory trade in Poland and asked for an assurance that imports were considered separately from exports by the Polish authorities. The representative of Poland said that his authorities had not established any provisions regarding compensatory trade which, in any event, they opposed in principle.

III. Polish Balance of Payments with Contracting Parties

29. The Working Party heard explanations by the Polish delegation regarding the balance of payments of Poland with the contracting parties, and 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.

30. The representative of Poland noted, however, that due to the upward trend of imports in the first half of 1972 there might be a deterioration in the trade balance, and consequently in the balance-of-payments situation of Poland.

31. One representative asked a number of questions, inter alia whether future data on balance of payments could be broken down as between convertible currency countries and non-convertible currency countries. The representative of Poland explained that Poland had already made considerable efforts in supplying the data in their present form - a form which was acceptable to the contracting parties. He said that he was not in a position to discuss the balance of payments of Poland in detail, and that Poland would continue to supply data in the same form as at present.
B. ESTABLISHMENT OF A DATE FOR THE TERMINATION OF THE TRANSITIONAL PERIOD REFERRED TO IN PARAGRAPH 3(a) OF THE PROTOCOL OF ACCESSION

32. The Chairman recalled that the Working Party that had carried out the Fourth 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 Fifth Consultation.

33. The representative of Poland recalled that his delegation had at the previous consultations proposed that the expiry of the transitional period should be fixed for the end of 1974 and stated that it maintained its position. He stated that foreign trade played an increasingly important role in the development of the Polish economy and that Poland wished to participate fully in the international division of labour. Moreover, to ensure that the General Agreement would be fully applied as it should be in trade and economic relations between Member States of GATT it was indispensable to settle definitively the expiry of the transitional period. He pointed out that in the five years since Poland's accession to GATT, Poland had fully met its commitments under the GATT and had in fact surpassed them. If this question were not settled, the principle of the General Agreement would be undermined.

34. Several members of the Working Party supported the Polish proposal set out in paragraph 33 above.

35. Representatives of several countries still maintaining discriminatory restrictions said that their positions remained unchanged from the previous consultation. They could accept the compromise formula proposed by the Chairman at the Fourth Consultations (paragraph 41 of the Report on the Fourth Review) or the formula set out in paragraph 42 of the Report on the Third Review. They stated that it was necessary for their countries to have the possibility of retaining restrictions on a limited number of items for exceptional reasons after the end of 1974, having regard inter alia to the system of price formation in Poland. In the absence of acceptance of either of these proposals they suggested that the matter be deferred until the next consultation.