1. The Council, at its meeting on 19 December 1972, established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the first consultation with the Government of Romania provided for in paragraph 5 of the Protocol of Accession, and to report to the Council.

2. The Working Party met on 19 and 22 June 1973, under the chairmanship of Mr. C.H. Archibald (Trinidad and Tobago).

3. The Working Party had before it the following documents containing information relevant to its work:
   - L/3858 and Adds.1 and 2: Notifications by contracting parties of discriminatory prohibitions and quantitative restrictions still applied to imports from Romania.
   - A document concerning Romania's economy and foreign trade.
   - Certain legal texts relating to Romania's foreign trade and co-operation.

4. The following report sets down the main points of discussion in the Working Party under the following headings:
A. General

B. Romanian exports

C. Romanian imports

D. Romania's trade balance and balance of payments

A. General

5. In an introductory statement the representative of Romania referred to the comprehensive documentation provided by his Government and stated that, as could be seen from that documentation, the Romanian economy had developed favourably in the last two years. The legislative texts before the Working Party were proof of his authorities' desire to expand foreign trade relations with all countries and to enlarge its participation in the international division of labour. The fact that Romania had become a member of both the International Monetary Fund and the International Bank for Reconstruction and Development during 1972 also underlined this point.

6. He was, however, concerned that since Romanian imports from contracting parties had increased more than its exports, the balance of trade for the period was negative. Thus, Romanian imports from contracting parties had increased from 57.3 per cent of total imports in 1971 to 58.6 per cent in 1972, whereas the share of exports to contracting parties had declined from 52.3 per cent to 51.1 per cent. In 1972 imports from contracting parties had increased by 27.2 per cent, while the comparable figure for exports was 20.8 per cent. In spite of his country allocating more than 30 per cent of the national income to development, Romania remained a developing country, being separated by a
considerable economic gap from the developed countries. Thus, per capita national income was only approximately US$600, per capita output in industry was considerably less than in these countries, and the proportion of people working in the agricultural sector was very large (more than 45 per cent), and the share of primary products in its exports to developed market economy countries was more than two thirds.

7. After its accession to the GATT, Romania had fully respected its provisions and had taken full part in the activities of the GATT. Regarding the future, the current Five-Year Plan provided for an overall increase in Romanian foreign trade of 61-72 per cent, compared with the preceding period. Among the most important objectives for its exports were increased economic efficiency, improved structure, and more advantageous prices. On the organizational side, efforts were being made to improve economic and foreign trade planning methods. Romania would continue its policy of expansion and diversification in its foreign trade relations, as well as in industrial, technical and scientific co-operation, in the conviction that such a policy was the most rational and beneficial from both a political and an economic viewpoint. In this context, it was the view of the Romanian authorities that the necessary premises exist for the development of reciprocal trade by all contracting parties strictly observing the provisions of the General Agreement.

8. Members of the Working Party expressed their appreciation of the extensive documentation provided by the Romanian Government, as well as of the Romanian policy of expanding international trade.
9. Replying to a question on his Government's plans regarding the possible introduction of a customs tariff, the representative of Romania confirmed that this was indeed the intention of his authorities.

10. On the question of how his Government intended to approach the forthcoming multilateral trade negotiations, the representative of Romania explained that his country, being a developing country, hoped to participate in these negotiations on the basis of non-reciprocity, thus obtaining additional benefits that would contribute towards its development efforts.

B. Romanian exports

(i) General trends and development of exports of various categories of goods

11. The Working Party noted that Romanian exports to contracting parties had increased less rapidly than its total exports, and that the structure of these exports was less favourable than the structure of total exports; the share of machinery, chemical products and consumer goods in its exports to contracting parties being significantly smaller than in total exports. In Romania's relations with developed market economy countries, fuel, raw materials, agricultural products and foodstuffs still accounted for approximately 70 per cent of exports.

12. Referring to the statistical data before the Working Party, the representative of Romania expressed the desire to redress the negative balance of trade with contracting parties by increasing Romanian exports and not by reducing imports. It was important that all countries operating a Generalized System of Preferences extend beneficiary status also to Romania. He expressed his Government's
gratitude towards those countries which had already done so, and the hope that the other developed countries would soon make similar decisions, thus bringing to an end this particular form of discrimination against Romania. He noted further that the trade legislation presently before the United States Congress provided for the possibility of extending most-favoured-nation treatment to his country, and expressed his belief that the beneficiary effects of such treatment, which would imply the disinvocation of Article XXXV towards Romania, together with those of the United States GSP, would significantly develop reciprocal trade between the two countries.

13. A number of delegations referred to their countries' extension of the GSP to Romania, and pointed out that this was a concrete indication of their intention to expand trade relations with Romania. The representative of Romania urged other preference-giving countries to include Romania among the beneficiaries of the GSP at the earliest date.

14. Some members of the Working Party noted that Romanian exports to their countries had increased rapidly in recent years. The representative of Japan stated that Romanian exports to his country had trebled over the last two years. The representative of Sweden said that, in 1972, Romanian exports to his country had increased by as much as 60 per cent, and that preliminary figures for 1973 showed that this trend was continuing. The representative of Canada stated that imports from Romania into his country had grown ten times since 1968 and had doubled in the last three years.
15. Some members of the Working Party supported the view of the representative of Romania that invocation of Article XXXV towards his country should cease at the earliest date.

(ii) Measures adopted under paragraph 3 of the Protocol by contracting parties maintaining quantitative restrictions inconsistent with Article XIII of the General Agreement

16. The Working Party agreed that it would only be possible at the end of 1974 to determine whether contracting parties maintaining restrictions had fulfilled the objective of removing these. Nevertheless, on this occasion it should be possible to see whether the contracting parties concerned had or had not increased the discriminatory element in the restrictions, and whether they were being progressively relaxed.

17. 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
- Canada
- Czechoslovakia
- Malta
- Spain
- Australia
- Chile
- Gabon
- New Zealand
- Turkey
- Brazil
- Cuba
- Indonesia
- Poland
- United States
- Cameroon
- Cyprus
- Japan
- South Africa

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

- Austria
- Norway
- European Communities
- Sweden
- Finland
- Switzerland
19. The representative of Romania said that the notifications submitted did not give a clear picture of the situation. Several contracting parties had not submitted notifications at all. The progressive relaxation of restrictions provided for in paragraph 3 of the Protocol seemed to proceed very slowly. Some quotas were being enlarged very slowly, even though the same products were imported in greater quantities from other sources. Some countries had removed restrictions predominantly on products which Romania did not export. For instance, Romanian exports to the European Communities of Six of newly-liberalized products were of a value of approximately US$3 million and represented only 3.3 per cent of total value of exports remaining under restrictions. Out of the 18 liberalized positions in the United Kingdom, only one was to be found among Romania's exports to that country, for a value of US$382,000.

20. The representative of Romania pointed out that the notification of the European Communities of Six did not indicate the situation for each country, but only the common list of discriminatory quantitative restrictions. Furthermore, the countries in question had not notified restrictions on ECSC products, even though restrictions were still applied to such products. Additional products had been subjected to discriminatory quantitative restrictions in violation of the commitment not to increase the discriminatory element of the restrictions.
21. In view of the concerns expressed in the preceding paragraphs, the representative of Romania, supported by other members of the Working Party, felt that he was within his rights to demand that countries still maintaining quantitative restrictions incompatible with Article XIII of the General Agreement should immediately remove the new restrictions and that they take the necessary action in order to eliminate the majority of the restrictions in 1973 so as to achieve in 1974 the objective of paragraph 3 of the Protocol.

22. With regard to individual notifications submitted for the first consultation, notifying countries added the following information:

**Austria:** The representative of Austria stressed that his country had liberated, in 1972, a number of items, and that for the remaining positions the discriminatory element had not been increased. The process of liberalization would continue.

**European Communities:** The representative of the European Communities said that the Communities had fulfilled their commitment under paragraph 3 of the Protocol, as could be seen from the reduced number of entire or partial tariff headings that were still subject to restrictions. He recalled that, for the Communities of Six, the number of entire tariff headings under restriction had been reduced from 206 to 177, and partial headings from 271 to 123. The United Kingdom had liberalized 6 entire and 12 partial, and Denmark 10 entire and 32 partial headings, while Ireland had liberalized one partial heading. Thus, all nine countries concerned had relaxed the restrictions on imports from Romania. The Protocol only contained a target date for the elimination of restrictions,
and nothing was laid down about the rate of progress of this elimination. As regards the allegedly increased discrimination, imports under the positions in question had previously been restricted from all contracting parties, but had subsequently been liberalized in respect of GATT countries except Romania. The European Communities could not agree that this would constitute a violation of paragraph 3 of the Protocol of Accession; rather, their view was that what mattered was whether total discrimination decreased, in which case the commitment was fulfilled. The restrictions on ECSC products were general in nature. The Communities were discussing possible further liberalization measures, but no details could be provided at this stage.

Sweden: The representative of Sweden stated that only a very limited number of hard core restrictions were still applied to imports from Romania, and that only four quotas had been fully utilized. About 20 per cent of Romania's exports to Sweden in 1972 were in products under restriction. Considerable quota increases for almost all items had been agreed bilaterally for 1973; further liberalization measures were under consideration. As to the possibility of future progress in the elimination of restrictions, the principle of burden-sharing had to be underlined; in the opinion of the Swedish Government only concerted action would make it possible to arrive at solutions acceptable to all the parties concerned.
Switzerland: The representative of Switzerland stated that Swiss restrictions on agricultural products, except for eggs, applied equally to all countries and that these restrictions were covered by a waiver. Furthermore, a recent long-term economic agreement between his country and Romania provided, inter alia, for the abolition of clearing arrangements.

It was noted that representatives of countries maintaining discriminatory quantitative restrictions had stated that they would take the necessary measures in pursuance of their commitments.

23. The representative of Romania, supported by other delegations, could not agree with the representative of the European Communities that removing restrictions towards some countries did not constitute an increase in the discriminatory element towards other countries vis-à-vis which the restrictions were maintained. He reiterated that any liberalization conceded to other contracting parties after Romania's accession and not extended to Romania represented an additional discrimination towards his country and, as such, was in violation of the provisions of the Protocol of Accession and of the General Agreement. The Working Party could not reach agreement on this point.

24. The representative of Romania appreciated the point made by the representative of Sweden on the burden-sharing issue, but in his view it was more important that all countries should respect the provisions of the Protocol, and that this respect should not depend on the action, if any, taken by other countries. He added that the non-utilization of the full quotas represented further proof that the maintenance of such quotas was not warranted.
(III) Other questions

25. The Working Party noted that the provisions of paragraph 4 of the Protocol had not been invoked by either Romania or other contracting parties.

C. Romanian imports

26. The representative of Romania referred to Romania's firm intention to increase imports from contracting parties as a whole at a rate not lower than the growth of total imports as provided for in its Five-Year Plans, and stated that whether or not this intention had been fulfilled could only be determined at the end of the current Plan. On the basis of the available evidence, however, it was clear that progress towards this target was satisfactory in that imports from contracting parties were increasing at a higher rate than Romanian total imports.

27. Some members of the Working Party expressed satisfaction that their countries' exports to Romania had increased significantly in recent years. The representative of Japan stated that Japanese exports to Romania had increased by 67 per cent in the last two years. The representative of Canada stated that Canadian exports to Romania had grown ten times since 1968 and had quadrupled in the last three years.

28. Members of the Working Party noted that Romanian imports from contracting parties were increasing satisfactorily in a manner corresponding with the intentions of the Protocol of Accession.

D. Romania's trade balance and balance of payments