GENERAL AGREEMENT ON
TARIFFS AND TRADE

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Working Party on Trade with Romania

DRAFT REPORT BY THE WORKING PARTY ON THE FIFTH CONSULTATION ON TRADE WITH ROMANIA

1. At its meeting on 6-8 November 1984, the Council established a Working Party to conduct on behalf of the CONTRACTING PARTIES, the Fifth Consultation with the Government of Romania provided for in paragraph 5 of the Protocol of Accession[1], and to report to the Council.

2. The Working Party met on 30 May 1985 under the chairmanship of H.E. Mr. O. Lopez Noguerol (Argentina).

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

- L/5799, containing statistics relating to Romania's trade with contracting parties in the years 1980-1984;

- L/5770 and Addenda 1 to 4, containing notifications by contracting parties on restrictions on imports from Romania;

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[1] BISD 18S/7

- Spec (85)21, a document relating to Romania's balance of payments for the period 1978-1983.

4. The following report sets down the main points of discussion in the Working Party.

A. General statements

5. The representative of Romania underlined the constructive and useful character of the biennial consultations between his country and the contracting parties. This consultation was taking place at a time when the negative impact of the economic and financial crisis was still being felt, in particular by developing countries. According to IMF estimates, goods subject to trade restrictions in 1983-1984 amounted to some 30% of products manufactured in the EEC and United States, compared to 20% in 1980; and trade restrictions contrary to the GATT continued to prevail. Romania was very much in favour of an open trading environment which would benefit its own development and that of developing countries.

6. Romania had endeavoured to develop trade with all contracting parties, which now accounted for more than half the total volume of Romania's external trade. From the time of its accession to GATT in 1971, up to 1980, Romania had increased its imports from contracting parties as a whole. However, as had been explained in the previous consultation Romania's imports, including those from contracting parties, had declined in the years 1981-82, and 1983. This had been a transitional period; by 1984 imports from contracting parties had increased again by 23.2%, compared to 1983. Romanian authorities

expected a further increase of imports in 1985. In Romania's economic development programme for 1986-1990, foreign trade was expected to increase by 41-45%, compared to the previous five year period (1981-1985). As in the past, an important part of this trade would take place with contracting parties.

7. He recalled the provisions of paragraph 3 of Romania's Protocol of Accession, which called for the phasing out and removal of discriminatory trade restrictions imposed by contracting parties on imports from Romania. At present, the majority of the contracting parties had no such discriminatory restrictions. However, the provisions of paragraph 3 had not been met by certain contracting parties; he called for the full observance of these provisions and the total elimination of trade restrictions contrary to Article XIII. A positive development in that direction had been obtained through an agreement between Romania and the EEC concerning industrial products; this agreement provided for substantial progress to be made in the elimination of discriminatory trade restrictions by the end of 1985.

8. Noting that Romania benefitted from the application of GSP to its exports, he pointed out that not all contracting parties applied it uniformly. In recent years, his authorities had also noted an increase in anti-dumping procedures against Romanian imports. He called for a reinforcement of discipline in anti-dumping procedures, in particular in the determination of current market prices.

9. He referred to the recent proliferation of new trade restrictions not provided for in the General Agreement, such as "grey area restrictions" and "voluntary export limitations". These were also discriminatory restrictions

and affected Romania's export possibilities. His authorities were in favour of a GATT programme to eliminate all such restrictions.

10. Trade between Romania and the United States had developed since the United States had granted, on a bilateral basis, most-favoured-nation-treatment as well as GSP, and did not apply discriminatory trade restrictions against Romania. To ensure more stability, it was desirable that the United States grant Romania full m.f.n. treatment on a multilateral basis and that it disinvoke Article XXXV.

11. He concluded by saying that Romania wished to take an active part in the international division of labour and in that context, hoped to further develop its economic relations and trade for the benefit of its economic development.

B. Romanian exports

12. The representative of the EEC said that while biennial consultations between Romania and the contracting parties were useful, they were not the only fora for the Community, which had concluded a bilateral agreement with Romania in 1980. Romania's assessment of the global trade developments was rather optimistic. Trade between Romania and the contracting parties had been cut short in 1981 and 1982, further to the Romanian Government's decision to cease payments in convertible currencies. Taking 1981 as a basis, total Romanian trade had dropped from $12.4 billion to $10.1 billion in 1984, i.e. -19%. Imports from contracting parties had dropped from $5.9 billion in 1981 to $4.9 billion in 1984, a decline of 27%. Contracting parties' share of Romanian trade had passed from 47.1% in 1981 to 42.7% in

1984. While it was true that very recently a slight increase had taken place, when measured over a longer period, trade development had not been satisfactory. Nor was the position of the EEC; Romania's exports to the EEC had increased up to 1983, whereas EEC exports to Romania had declined and now showed a trade deficit of $1.9 billion in 1984. While acknowledging that there had been a recent increase in trade, he felt it was too early to consider it a trend.

13. The representative of the United States, commenting on the representative of Romania's statement, recalled that when Romania had acceded to the GATT in 1971, the United States had invoked Article XXXV, as required to under United States' legislation. This legislation had not changed and the US Administration still lacked authority to grant Romania most-favoured-nation-treatment on a multilateral basis.

14. The representative of the EEC said that the discriminatory trade restrictions still maintained by the European Community should be looked at in relation to the trade volume involved, which amounted to only 3.3% of the EEC's imports from Romania. Clearly these restrictions were residual. Some progress had been accomplished in the context of bilateral consultations between the EEC and Romania under their agreement. This was reflected in the EEC notification: thus 83 Nimexe positions had been liberalized, representing 6.2 million ECU. 159 Nimexe positions had been suspended, representing 40 million ECU. The Federal Republic of Germany alone had liberalized some 65 Nimexe positions, representing over 17 million ECU and the consolidation, at EEC level, of liberalization amounted to 142 Nimexe positions, accounting for nearly 19 million ECU of trade. The EEC had

therefore made a very significant effort under paragraph 3 of the the Protocol of Accession.

15. The number of anti-dumping cases against Romania had declined in the past years. He recalled that it was not for the Commission to decide these cases, but for member States. In 1981, there had been some 10 cases against Romanian imports; by 1984 there were only 3 or 4 cases. He noted that Romania wanted an extension of the Community application of GSP. He pointed out that the number of exclusions affecting Romania amounted to only 20 products. Romania was thus one of the main beneficiaries, accounting for some 20% of the EEC's GSP application.

16. The representative of the United States stated that the United States did not apply discriminatory quantitative restrictions under paragraph 3 of the Protocol of Accession. Noting the slow progress that had been made in removing the remaining discriminatory restrictions under paragraph 3 against imports from Romania, she called for those contracting parties still applying them to phase them out.

17. The representative of Canada said that his authorities looked forward to the phasing out of restrictions maintained under paragraph 3 of the Protocol. A point of concern to his authorities was the extent to which bilateral dealings remained a feature of Romanian trade. Romanian demands for countertrade had the effect of excluding small and medium companies; the practice was not consistent with Romania's interests and led to less competitive types of production.

18. The representative of Hungary said that he shared the concerns expressed by the United States regarding the slow progress in eliminating the discriminatory restrictions maintained under paragraph 3 of the Protocol and called for their phasing out. He pointed out that the Romanian Protocol of Accession contained provisions for the contracting parties not to increase discriminatory trade restrictions imposed on Romanian exports. In this context his authorities were concerned by the recent EEC proposal in the Group on Quantitative Restrictions, which amounted to an increase of discriminatory trade restrictions.

19. The representative of Japan said that his government applied no such restrictions to Romania. He expressed his authorities' concern over the slow progress achieved in eliminating the remaining restrictions and hoped that the countries still maintaining them would make substantial progress towards eliminating them.

20. The representative of the EEC pointed out that the elimination of remaining restrictions by the EEC was more difficult than for other contracting parties because the EEC's share of trade with Romania was so much larger than other contracting parties'. The remaining quantitive restrictions were residual and applied to some very sensitive areas such as glass, leather and other products which were presently in difficulty and undergoing restructuring. In the Group on QRs the EEC had proposed the liberalisation of a number of items, applied by eight out of ten member States. The offer, while firm, was still undergoing examination and was not definitive. The proposal contained elements of differentiation; some member States would remove restrictions for all contracting parties while other member States would not do so because they did not expect all contracting parties to participate to the same extent. The matter was under close

examination by the Commission with respect to the way this proposal could affect Romanian exports. The EEC was hopeful of finding a solution, (if there was indeed a problem), in the context of their bilateral consultation, which was the appropriate forum for discussion.

C. Romanian Imports

21. The representative of the EEC said that its exports to Romania had declined by 54% between 1981 and 1984. While it was true that the economic situation and the curtailment of payments in convertible currencies accounted for much of this decline, there were nevertheless some other underlying reasons. More transparency in economic statistics and commercial information should be achieved, if only to inform contracting parties according to GATT obligations. The lack of such information, in particular statistical information and planification of trade with Comecon countries, made it unnecessarily difficult for Romania's trading partners to follow events. Compensation trade or counter-trade, which was common practice in Romania, was archaic and retrogressive; it had negative effects for both sides; the exporter by not having to prospect markets was reducing his export possibilities, and often failed to improve productivity.

D. Romania's balance of payments

22. There were no requests for the floor on this point.