

WORLD TRADE ORGANIZATION

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Committee on Regional Trade Agreements Twenty-Sixth Session

EXAMINATION OF THE FREE TRADE AGREEMENT BETWEEN POLAND AND LATVIA

Note of the Meeting of 7 July 2000

Chairman: Mr. Jae Gil Lee (Korea)

1. The meeting was convened in document WTO/AIR/1339.
2. Under Agenda Item D.X of its Twenty-sixth Session, the Committee on Regional Trade Agreements (hereinafter CRTA or the Committee) took up the examination of the Free Trade Agreement (FTA) between Poland and Latvia. The following topics were discussed:

- A. GENERAL REMARKS
- B. SECTION I - BACKGROUND INFORMATION ON THE AGREEMENT
- C. SECTION II - TRADE PROVISIONS

3. The Chairman said that the notification of the Agreement could be found in document WT/REG80/N/1, with the text of the Agreement appearing in document WT/REG80/1. He proposed to use the Standard Format, document WT/REG80/3, to guide the debate. He recalled that the terms of reference for the examination were adopted on 15 October 1999 and were contained in document WT/REG80/2.

A. GENERAL REMARKS

4. The representative of Poland said that the Agreement was particularly examination-friendly because it was based on the same assumptions and rules as other agreements belonging to the same homogenous generation of agreements established between several European countries, which had already been subject to the compliance test under GATT Article XXIV. The Agreement created a free-trade area in conformity with the definition set out in GATT Article XXIV:8(b) within a period ending at the latest on 1 January 2001. He drew the attention to the Preamble of the Agreement which concentrated on the firm commitment of the Parties to the principles of market economy and the process of economic integration in Europe, and also made reference to the strict observance of the WTO rules and stipulations in the implementation of the Agreement. Nothing in the Agreement prohibited or hindered its Parties from taking part in multilateral trade liberalization. The Parties had already testified their commitment to multilateral liberalization by being among the stronger supporters of a new multilateral comprehensive round of trade negotiations. The Agreement had been signed on 28 April 1997 and applied provisionally since 1 April 1998. After completion of internal legal procedures by Latvia on 30 October 1997 and by Poland on 22 March 1999, it had entered into force on 1 June 1999. The Agreement had been duly notified to the WTO by both Parties on

29 September 1999. Basic information had been presented in a joint communication on 19 June 2000 and circulated in document WT/REG80/3. The Agreement covered substantially all the trade between the Parties. Tariffs were eliminated on a vast majority of industrial goods immediately upon application of the Agreement and for the rest in a gradual process until 1 January 2002. The Agreement potentially encompassed all agricultural products according to the definition contained therein, with the concessions specified in the Protocol attached to the Agreement. Article 12.2 of the Agreement stipulated that the Parties should examine within the framework of the Joint Committee the possibilities of granting each other further concessions on trade in agricultural products. For the purpose of facilitating integration in the pan-European cumulation system, which would create further expansion of trade, the Agreement provided for rules of origin based on the pan-European rules concept. Finally, he noted that the Parties had not received any written question prior to that meeting.

B. SECTION I - BACKGROUND INFORMATION ON THE AGREEMENT

5. Commenting on the fact that the Parties had not received questions prior to the examination of the Agreement, the representative of the United States noted that the Standard Format had not been circulated until 19 June 2000, leaving little time to prepare questions in advance. Although the Agreement had been applied provisionally since 1 April 1998, it had not been notified until 29 September 1999, which seemed to be well beyond the provision contained in GATT Article XXIV:7. With respect to trade coverage, he noted that the Agreement covered Chapters 25-97 of the Harmonized System (HS) and what was described as a number of processed agricultural products and fisheries products. He was interested in obtaining more information on the coverage of those products, including the treatment of groups of agricultural products. Based on the information provided, and given the usual differences among at least some of the Members with respect to the definition of the term coverage, it was not clear that the Agreement met the "substantially all the trade" requirement. He requested the provision of adequate data on duty treatment to allow an examination of duty elimination. He also asked for a confirmation from the Parties that all implementation of duty elimination would occur over a period not longer than ten years.

6. The representative of Australia also had concerns that the Parties were not contemplating meaningful liberalization in the agricultural sector and that Article 12 of the Agreement contemplated reductions only after future WTO negotiations. Therefore his delegation joined the United States's request for the provision of more statistical information.

7. The representative of Canada, echoing the views expressed by other representatives, said that written information outlining in some detail the coverage of agricultural products would be very useful, given that the Standard Format only indicated that "[t]he Parties to the Agreement granted each other concessions specified in Protocol 2". She also asked for more details on Annex I to the Agreement, which listed the exceptions to the full coverage of industrial products in HS Chapters 25-97. She wondered whether the duty-free treatment applied to all industrial products, notwithstanding the fact that there might not have been any trade in certain tariff lines. The representative of Japan also suggested that more information was necessary on the Annexes and Protocols and on the timetable for the elimination of duties to assess the compatibility of the Agreement.

8. The representative of Poland assured the Committee that the Parties would provide accurate answers to the questions once they received them in writing. The Parties were of the view that there was no contradiction between the notification of the Agreement and the relevant provisions of GATT Article XXIV.

9. Commenting on the requests made, the representative of Latvia said that it was not easy to provide detailed information on trade in agriculture. As for the question on Annex I of the

Agreement, which related to industrial products, she said it provided for some transitional periods, the longest of which would end on 1 January 2002. After that date, there would be full zero-duty treatment for all industrial products.

C. SECTION II - TRADE PROVISIONS

10. The representative of Canada asked about the nature of the products contained in Annex II to the Agreement, on which export duties could be applied, as well as in Annexes III and IV, on which quantitative export and import restrictions could be applied, respectively.

11. The representative of the United States asked on what basis and to whom safeguard measures might be applied and also whether any safeguard measures had actually been applied under the Agreement. He requested that additional information on the operation of the structural adjustment provisions be given; in particular whether they had been used and what the margin of preference that one Party needed to maintain in favour of the other was. Referring to the fact that in Section II.7 of the Standard Format it was noted that agriculture was excluded from the provisions on subsidies and State-aid, he wondered whether any such rules existed that applied to agriculture and, if so, what they were. With respect to public procurement, he asked whether the Parties intended to accede to the Government Procurement Agreement.

12. The representative of Poland said that they would provide answers to the questions posed at a later stage, and noted that they were easily answered on the basis of the details contained in the notified Agreement. No safeguard actions had been undertaken by Poland. As mentioned during its trade policy review, Poland would accede shortly to the Agreement on Government Procurement.

13. The representative of Latvia, referring to the question on Annex II (export tariffs), said that Latvia had maintained export duties on timber products, metal scrap, gypsum and limestone until 1 January 1999 but that there were no such duties anymore. Referring to the question on subsidies and State-aid, she said that there were no specific rules linked to agriculture in the Agreement.

14. The Chairman said that the first round of examination of the Agreement had allowed the Committee to clarify a number of questions, but that some others were pending. He invited delegations that wished to ask additional questions to forward them to the Secretariat by 13 September 2000 and the Parties to submit replies as soon as possible but not later than 15 October 2000. The next round of examination could then be scheduled.

15. The Committee took note of the comments made.
