

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments
Restrictions

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1981 CONSULTATION WITH YUGOSLAVIA

Basic Document for the Consultation

I. BALANCE OF PAYMENTS, FOREIGN EXCHANGE RESERVES AND FOREIGN DEBT

Balance of payments

During the past few years the balance of payments of Yugoslavia has registered a high deficit: in 1978 the deficit was \$1.3 billion, in 1979 it was almost three times as high as that of the preceding year and amounted to \$3.7 billion. Such an unfavourable trend could not have been permitted to continue for a longer period of time. In 1980 energetic measures were undertaken to bring an end to highly unfavourable developments in the balance of payments. Owing first of all to an appreciable increase of exports and invisible foreign exchange earnings, the balance-of-payments current account deficit in 1980 was decreased to an amount of \$1.4 billion. In 1981 a further considerable decrease in the deficit of the current balance of payments will be realized.

The main feature of the balance of payments is the high trade deficit and a substantial surplus in the invisibles foreign exchange turnover which covers the greater part of the trade deficit:

	(in millions of US dollars)			
	1978	1979	1980	1981 (I-VIII)
Trade deficit	-4,317	-7,225	-6,086	-4,643
Surplus on invisibles	<u>+3,061</u>	<u>+3,564</u>	<u>+3,795</u>	<u>+2,595</u>
Current account balance	-1,256	-3,661	-2,291	-2,048

The high trade deficit is a consequence of the large volume of imports and is created despite serious efforts to increase merchandise exports (the average growth rate of exports during the past three years is 19.5 per cent, while imports grew at a slower pace: 16.1 per cent):

(in millions of US dollars)

	<u>Exports</u>	<u>Imports</u>	<u>Trade deficit</u>
-1977	<u>5,254</u>	<u>9,634</u>	<u>4,380</u>
-1978	<u>5,671</u>	<u>9,988</u>	<u>4,317</u>
-1979	<u>6,794</u>	<u>14,019</u>	<u>7,225</u>
-1980	<u>8,978</u>	<u>15,064</u>	<u>6,086</u>
Average rate of growth for the period 1978-1980	19.5%	16.1%	11.6%

Invisible earnings also have very dynamic growth rates. However, invisible expenses increase much faster than earnings. As a result of such trends, the sum total of invisible earnings in the past three years increased at an average rate of 10.7 per cent:

(in millions of US dollars)

	<u>Invisible earnings</u>	<u>Invisible outlays</u>	<u>Net invisible earnings</u>
-1977	<u>4,820</u>	<u>2,022</u>	<u>2,798</u>
-1978	<u>5,775</u>	<u>2,714</u>	<u>3,061</u>
-1979	<u>7,732</u>	<u>4,168</u>	<u>3,564</u>
-1980	<u>9,322</u>	<u>5,527</u>	<u>3,795</u>
Average growth rate for the period 1978-1980	24.6%	40.0%	10.7%

The most important items on the invisible trade balance are the remittances of workers, tourism and transport as regards receipts, while the main sources of outlays are drawings from private accounts, transportation and interest on foreign borrowing and credits.

The described balance-of-payments current account deficit is almost entirely generated by the trade with countries with which it is effected in convertible currencies:

(in millions of US dollars)					
<u>Convertible area</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>The whole of 1981 evaluation</u>
Trade deficit	-4,175	-6,570	-5,665	-4,612	-5,695
Surplus on invisibles	<u>+2,817</u>	<u>+3,214</u>	<u>+3,461</u>	<u>+2,424</u>	<u>+4,195</u>
Current account balance	-1,358	-3,356	-2,204	-2,188	-1,500

The high trade balance deficit as well as that of the overall trade with the convertible area is the result of the lagging behind of merchandise exports in comparison with the amount of imports:

(in millions of US dollars)			
	<u>Exports</u>	<u>Imports</u>	<u>Trade deficit</u>
<u>-1977</u>	<u>3,602</u>	<u>7,445</u>	<u>3,843</u>
-1978	3,768	7,943	4,175
-1979	4,766	11,336	6,570
-1980	<u>5,656</u>	<u>11,321</u>	<u>5,665</u>
Average growth rate for the period 1978-1980	16.2%	15.0%	13.8%

The rate of growth of exports was only slightly higher than the growth of merchandise imports. Nevertheless, in view of the already attained level of turnover, the trade deficit would not increase only if exports were to grow at twice the pace of merchandise imports. The relative lagging behind of

exports is primarily the consequence of an elevated domestic consumption and an appreciable difference in prices between the home and world market. The lagging behind of our exports is partly the result of the cyclical trends in the market conditions in countries with market economies. The problem of the high trade deficit with the convertible area is partly mitigated with the relatively high invisible earnings which can also be seen in the above survey.

In 1978 the real volume of exports and imports of merchandise was about 1 per cent lower than in the preceding year. Owing to the faster growth of export as compared with import prices in that year, the trade deficit decreased by about \$60 million. At the same time, net invisible earnings increased in relation to the previous year so that the current balance-of-payments deficit was lower than the year before by about \$300 million.

In 1979, under the influence of numerous unfavourable external and internal factors, there was a deterioration of the balance of payments. Although merchandise exports increased by 19 per cent in nominal terms (about 4 per cent in real terms), imports increased by far more: 40.4 per cent in nominal terms and about 18 per cent in real terms, so that the trade deficit increased by \$2.9 billion. Although net invisible earnings increased by about \$500 million, this offset the growth of the trade deficit only to a small extent, so that the balance-of-payments current account deficit was almost three times that of the preceding year, as a result of overall developments.

The measures undertaken in the field of internal stabilization of the economy in the course of 1980, above all the deceleration of growth of the GNP, the economic growth of industrial production and reduction of overall domestic consumption, led to a decrease in the demand for imported products, while concurrently releasing greater quantities of goods for export. The change of the dinar parity made in the middle of the year, enhanced the interest of the economy in exporting and influenced the decrease of imports. In this way, a fundamental reversal of foreign trade tendencies was brought about in 1980. Exports increased by 32 per cent in value terms (about 11 per cent in volume terms). Imports increased by only 7.5 per cent in value terms but decreased by about 10 per cent in volume terms. Thus, the trade deficit decreased by about \$1.1 billion. Since the invisible trade surplus increased by over \$300 million, the total reduction of the balance-of-payments current account deficit amounted to approximately \$1.4 billion.

The development policy for the period from 1981 to 1985 anticipates the continuation of the positive tendencies in economic relations with foreign countries. The export of goods and services in this period should grow twice as fast as the social product, i.e. at least by 8 per cent annually in real terms. The growth of imports of goods and services should be appreciably slower than the growth of exports and should amount to 1.1 per cent annually in real terms. In this way a substantial reduction of the current account deficit should be ensured for the next five years.

Foreign exchange reserves

Despite the high balance-of-payments current account deficit registered in 1977 and 1978, the country's foreign exchange reserves have remained at a level corresponding to the amount of average quarterly import payments, i.e. a proportion which is approximately equal to the European average. In 1979 foreign exchange reserves were appreciably depleted, but in 1980 they increased again, attaining the level of 2.6 billion dollars. From 1 January to 30 September 1981 foreign exchange reserves were increased by an additional amount of 120 million dollars:

	Foreign exchange reserves (end of period)					
	1976	1977	(in millions of US dollars)			
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981, September 30</u>
Assets of the National Bank of Yugoslavia	2,052	2,108	2,458	1,315	1,465	1,643
Assets of Commercial Banks	658	666	774	729	1,102	1,044
TOTAL:	2,710	2,774	3,232	2,044	2,567	2,687

Foreign debt

Foreign debt rose from 6,584 million dollars in 1975 to 18,395 million dollars by the end of 1980. The loans extended to foreign countries amounted at the end of 1975 to 786 million dollars. At the end of 1975 net foreign borrowing was 5,798 million dollars. At the end of 1980 the loans extended to foreign countries amounted to 1,526 million dollars while the net foreign borrowing amounted to 16,869 million dollars:

	(in millions of US dollars)					
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Financial loans and deposits	2,354	2,931	3,344	4,281	5,514	7,113
Loans for equipment	3,608	4,298	5,304	6,284	7,793	8,789
Loans for production material	346	537	615	746	930	967
Loans for foodstuffs	123	106	73	51	32	99
Other loans	39	31	30	39	33	37
Short-term bank loans	114	99	174	432	650	1,390
Total debt	6,584	8,002	9,540	11,833	14,952	18,395
Loans extended to foreign countries	786	1,142	1,116	1,106	1,220	1,526
Net foreign borrowing	5,798	6,860	8,424	10,727	13,732	16,869

The general guidelines for balance-of-payments planning for the period from 1981 to 1985 stress the need for a gradual reduction of the current account deficit. This is to be attained through accelerated growth of exports and invisible earnings and decelerated growth of merchandise imports.

Although foreign borrowing is relatively high, the structure of its debt service payments is rather favourable. This is due to the fact that loans for equipment make up almost a 50 per cent share of the total debt and that their repayment deadlines are traditionally favourable. Conversely, a substantial part of purely financial loans was concluded by our central bank, also with maximum debt service payment deadlines. As a result of this, the level of the country's borrowings (as the relation between annuities - without the principal on short-term loans - according to the current foreign exchange receipts) was not in excess of 20 per cent:

Level of debt :

- in 1975:	14.9 per cent
1976:	14.1 per cent
1977:	17.0 per cent
1978:	18.2 per cent
1979:	20.5 per cent
1980:	18.3 per cent

The level of indebtedness refers to overall trade, i.e. transactions in convertible currencies and payments through the clearing system. For the convertible currency area the level of debt is greater by 3 to 5 percentage points than the amount indicated for the sum total of trade. Inversely, the described level of indebtedness was computed in view of payments that were really collected upon the exportation of goods and services and not in view of the invoice value of the exports of goods and services - as is recommended by the International Monetary Fund. The level of indebtedness, when calculated according to the IMF method, is 2 to 3 percentage points lower than the amount shown above.

II. MEASURES TAKEN TO IMPROVE THE SITUATION

In the period from 1977 to 1979 the home market was characterized by a commodity and monetary imbalance. This imbalance was mainly the result of high demand, while its adverse effects were also enhanced by a considerable imbalance between the supply and demand in particular sectors, which reflects the disproportions in the economic structure. High domestic demand was further encouraged by the foreign trade deficit. This partly offset the effects of the imbalance between the growth and volume of domestic demand and the supply of domestically-produced goods on prices, however at the expense of a growing deficit in the balance-of-payments current account.

During this period, despite the disproportion between the home supply and demand, there was also the influence of negative terms of trade, as a consequence of a greater volume of imports than was the volume of exports and the faster growth of import in comparison with export prices. In this way, 1.4 billion dollars should be attributed to the adverse effects of the cited terms of trade out of the overall trade deficit increase of 2.9 billion dollars.

In view of the fact that these trends are of a lasting nature and are the result of disproportions in the country's development over an extended period of time, as well as of foreign trade prices which have a negative bearing on the creation of deficits in the trade balance and, by that token, in the current balance-of-payments as well, economic policy in 1980 anticipated targets that could really have been attained during that year.

Principal emphasis was placed on the policy of the internal stabilization of the economy. A programme was elaborated to halt excessive consumption growth, to create more harmonious commodity and monetary relations, resolutely geared towards increasing exports and reducing the balance-of-payments deficit. Economic planning for 1980 established that the balance-of-payments deficit should decrease from 3.7 billion dollars in 1979 to approximately 2.0 billion dollars in 1980, despite continued predictions about the negative influence of external factors.

The programme of internal stabilization encompassed a large set of economic measures, both on the internal and external level. The International Monetary Fund was given a detailed account of this programme.

At the beginning of June 1980 the exchange rate of the dinar was adjusted to the existing relation between domestic and foreign prices and its value was depreciated by 30 per cent in comparison to the United States dollar. At the same time, measures were taken to curb demand on the home market and bring economic development in tune with the country's real possibilities.

In July 1980 the Resolution on Economic Policy in 1980 was changed and amended with the aim of co-ordinating economic development with real possibilities and placing the growth of all forms of consumption along the lines of realization of the internal stabilization policy, thus supporting the adjustment of the dinar parity. In this way it has been envisaged to decelerate the growth rate of the social product from 5 per cent to 4 per cent, of industrial production from 6 per cent to 4.5 per cent and of overall economic investments from 6 per cent to 3.4 per cent.

In 1980 initial results were achieved in the realization of the policy of the internal stabilization of the economy. The reduction of the balance-of-payments deficit by 1.4 billion dollars, which was indispensable, had a twofold effect on the home market. Bearing in mind the pronounced dependence of domestic production on imports, there was a decrease in the growth rate of the social product and industrial production. Instead of 7 per cent, the average growth rate of the social product in the past three years, this rate of growth amounted to only 2.2 per cent in 1980, while industrial production was reduced from an average 8.5 per cent during the same period to 4.2 per cent. In the same way, given that the country's consumer resources coming from relations with foreign countries decreased in comparison with the preceding year, as a result of the reduced balance-of-payments deficit, this entailed a decrease in domestic demand by approximately 3 per cent in comparison with the year before.

Nevertheless, it was impossible to overcome the inertia of high nominal formation of resources for the satisfying of domestic demand at once. There was thus in 1980 an appreciable surplus of demand in comparison with the available supply which led to the depletion of stocks, shortage of some products on the home market and enhanced inflation.

The beginning of 1981 continued to be characterized by a disproportion between the still high demand and the available supply. More favourable trends affecting the revival of industrial production were not produced before the end of the third quarter of 1981. The physical volume of industrial production in the period from January to August 1981 was 4.8 per cent larger than in comparison with the same period of the preceding year. The increase of production in the first quarter was 2.7 per cent, 5.8 per cent in the second and 6.8 per cent in July and August. The revival of industrial production should bear upon an increase in exports as the key factor for the realization of the programme of internal stabilization of the economy. This is why outstanding efforts are made to realize by the end of 1981 the anticipated real growth of exports by about 6 per cent. Special importance is attached to the increase in exports to the convertible area.

For the still complex economic situation in the country, world economic trends do not represent favourable circumstances. Particularly in view of the unfavourable development of export and import prices and the limited development of demand on numerous markets towards which the exports of the Yugoslav economy are oriented.

The problems of the country's high foreign debt and particularly the burden posed by the current debt service payments indispensably call for a continued decrease and elimination of the balance-of-payments deficit, which is going to be one of the basic features of the economic policy of Yugoslavia for 1982.

Although all the elements of economic policy for 1982 have not yet been elaborated, preliminary readings indicate as certain the even more decisive continuation in 1982 of the policy of internal economic stabilization, aimed especially at curbing inflation and reducing the country's balance-of-payments deficit. In such circumstances, it is estimated to be possible to increase the growth of the GNP in real terms by about 3 per cent, to increase industrial and agricultural production by about 4 per cent, exports by 6 to 7 per cent, while total imports will remain within the limits of the balance-of-payments possibilities of the country.

The cited trends lead to the conclusion that the necessary structural adjustments in production and investment cannot be fully realized during a brief period of time. In view of the targets in economic development to be achieved in their entirety in the period from 1981 to 1985, the Social Development Plan for this period in fact represents the programme of internal stabilization of the Yugoslav economy.

Legal and administrative grounds for the application of trade restrictions

The fundamental legislation regulating foreign economic relations is the following:

- Law on Foreign Exchange Operations and Foreign Credit Relations, published in the "Official Gazette of the SFRY", No. 15/77;
- Law on Exchange of Goods and Services with Foreign Countries, published in the "Official Gazette of the SFRY", Nos. 15/77 and 17/78;
- Law on Performing Business Activities Abroad, published in the "Official Gazette of the SFRY", Nos. 15/77 and 17/78;
- Customs Law, published in the "Official Gazette of the SFRY", Nos. 10/76, 36/79 and 51/79;
- Law on Customs Tariff, published in the "Official Gazette of the SFRY", Nos. 27/78 and 5/79;
- Law on the Principles of the Banking and Crediting System, published in the "Official Gazette of the SFRY", No. 1/77;

- Law on Long-Term Production Cooperation and Business and Technical Cooperation, and on the Acquisition and Transfer of Material Rights to Technology between Organizations of Associated Labor and Foreign Persons, published in the "Official Gazette of the SFRY", No. 40/78;
- Law on Non-Residential Investments in Local Organizations of Associated Labor, published in the "Official Gazette of the SFRY", No. 18/78.

More detailed information on the cited legislation is contained in the paper "The Foreign Trade System of Yugoslavia and the Development of Trade in 1976/77" which was submitted for Yugoslav consultations in GATT held in November 1978, BOP/193 of 9 November 1978.

The foreign trade and foreign exchange system is basically regulated by the Law on Foreign Exchange Operations and Foreign Credit Relations and the Law on Exchange of Goods and Services with Foreign Countries.

The passage of the above-mentioned laws regulating the foreign trade and the foreign exchange systems in the area of foreign economic relations has brought about a shift towards the decentralization of decision-making and changes with respect to the accountability and share of the socialist republics and the socialist autonomous provinces in the making of all decisions relevant to the pursuit and development of international economic relations, and to the provision of all the necessary conditions for associated labour to assume more efficiently and successfully a decisive rôle in economic relations with foreign countries.

The indispensable rôle of the State, within the framework of agreed rights and obligations, is contained in its responsibility for guaranteeing the overall position of the country in international economic relations, for the status of the balance of payments and the foreign exchange balance of the SFRY, as well as for the implementation of the targets and tasks set by the joint economic and foreign exchange policy. The function of the State is of a planning and channelling nature, and it is under the obligation to safeguard the unhindered development of self-management relations.

The essential characteristics of the foreign exchange system are the following:

For every year the Federal Assembly of the SFRY determines the joint foreign exchange policy whose integral parts are the single projection of the balance of payments and foreign exchange of Yugoslavia. The plans for the balance of payments and foreign exchange balance of Yugoslavia establish the projections for the balance-of-payments and foreign-exchange-balance

positions of all the republics and autonomous provinces and their obligations and responsibilities for the implementation of a joint balance of payments and foreign exchange balance of Yugoslavia.

In keeping with the social, economic and political system founded on the principles of self-management, in the field of foreign economic relations, the organizations of associated labour and other organizations and communities pool themselves into "self-management communities of interest for foreign economic relations" which are created in every republic and autonomous province. In this way, within the framework of these communities, associated labour participates directly in the preparation and implementation of acts which establish the policy and plans for foreign economic relations and make projections regarding the balance-of-payments and foreign-exchange-balance positions of the republics and autonomous provinces in the form of a joint projection of the balance of payments and foreign exchange balance of Yugoslavia.

Within the cited communities the members of these communities, in accordance with the ratio of the balance-of-payments and foreign-exchange-balance positions of the republics and autonomous provinces, determine, through social compacts, the manner and procedure for the realization of the agreed volume of imports of goods and services, the criteria and procedure for the acquisition of the right to purchase foreign exchange on the foreign exchange market on the part of those members which have no foreign exchange receipts from their business transactions. They also determine the conditions for restricting foreign exchange operations of those members who do not realize their foreign business activities.

Organizations of associated labour require foreign exchange by: selling goods and services on a foreign market, through long-term production co-operation with foreign countries, through the performance of economic activities abroad, by taking foreign loans, by issuing securities and through other forms of business transactions with foreign countries.

Organizations of associated labour can use the acquired foreign exchange to satisfy the direct needs of their activities, i.e. to effect payments for the import of goods and services and other similar payments to foreign countries. They can pool the earned foreign exchange with other organizations of associated labour or sell them on the foreign exchange market.

All payments abroad are effected in keeping with the self-management agreement concluded between the members of the self-managing community of interest for foreign economic relations in the republics and autonomous provinces.

Import-regulating methods

The system of foreign trade operations is regulated by the Law on Exchange of Goods and Services with Foreign Countries.

The import of goods is subject to the following forms of control of the foreign trade régime: free import, commodity quotas, foreign exchange quotas, licences and accordances. Products are classified as falling within a specific régime on the basis of the Brussels Nomenclature, which also serves as the basis for the customs tariff of the SFRY. The complete list of goods, with indications of the appropriate import and export classification, has been published in the "Official Gazette of the SFRY", No. 35/78.

(a) Importation of goods to which the liberalized régime (LB) is applied can be done freely without any administrative restrictions. The list of free imports contains for the most part raw materials and intermediary goods, followed by consumer goods and equipment.

In 1980 the free import list contained 3,545 tariff items, or the equivalent of 60.4 per cent of the total number of 5,873 items in the tariff nomenclature. The share of free imports in the total value of imports was 41.7 per cent.

In 1981 the number of goods to which restrictive import régimes were applied was reduced by their transfer to the free import list, so that the number of tariff items on the free import list now amounts to 4,574 items or 77.9 per cent. The share of free imports (LB) in the total value of imports is 46.4 per cent.¹

(b) Importation of goods to which the quota régime is applied is effected within set quotas either as per quantity (commodity quotas) or as per value (foreign exchange quotas).

The quotas are fixed for a given period, for one year as a rule. This import instrument encompasses products important for the implementation of Yugoslavia's development policy and for the protection of domestic production which is based on domestic raw materials and domestic intermediary goods. Import quotas are determined by self-management agreements concluded by organizations of associated labour - the manufacturers, consumers and importers - taking into account the balance sheets for the given product.

¹Data for the first eight months of 1981

Some products covered by this instrument such as rice, wheat, oils are imported in the following way: the Federal Directorate for Food Reserves, bearing in mind the fixed quota, announces a public competition for the selection of the eligible importer, who shall upon election import the goods in question.

In 1980 the quota régime included 2,248 items or 38.3 per cent of the total number of items from the customs tariff. The share of quota-based imports in the total value of imports was 36.7 per cent. In 1981 the number of items subject to this import régime was reduced by 1,024 items. The quota régime now encompasses 1,224 items or 20.8 per cent of the total number of items on the tariff nomenclature. The share of quota-based imports in the total value of imports is 31.9 per cent.

(c) For the importation of goods subject to import licences, the Organization of Associated Labour must obtain an import licence issued by the Federal Secretariat for Foreign Trade. This import system mainly covers those goods the trade of which is under control resulting from obligations assumed under international conventions and trade and other intergovernment agreements, such as: narcotic drugs, armament objects, explosive materials and the like.

In 1980 the number of items on the import licence list was eighty-three or 1.3 per cent of the total number of items on the tariff nomenclature. The share of import-licence-based imports in the total value of imports was 21.6 per cent.

In 1981 seventy-five items or 1.3 per cent of the total number of items were subject to the import licence régime. The share of import-licence-based imports is 21.7 per cent. The comparatively high increase in this kind of imports is the result of the considerably higher imports of oil and oil-related products.

(d) With a view to promoting trade, particularly the import of goods originating in developing countries, and in order to purchase them directly in these countries, certain goods are imported on the basis of accordance. Such accordance is granted to organizations of associated labour by the Federal Secretariat for Foreign Trade. This applies to the importation of tropical fruit and spices, cocoa, some kinds of vegetable fats, cotton, jute, sisal, tropical woods, etc.

(e) With a view to the promotion and linking of local with foreign production through long-term industrial co-operation, with reciprocal deliveries of parts, assemblies, components, semi-finished products, etc. imports for this purpose are not subject to any restriction whatsoever.

(f) Imports of equipment, raw materials and intermediary goods which are imported on the basis of quotas or import licences are not subject to import restrictions on the basis of quotas and import licences if they are

the subject of investment by foreign legal and physical persons in a domestic organization of associated labour.

Import charges

In Yugoslavia special charges are imposed on the majority of domestically-produced goods, as the levy for raising funds for the development of under-developed republics and provinces, or for the alleviation of consequences of natural disasters, etc. In order to equalize in respect of taxation the domestically-produced goods for which the said levies are payable, and the corresponding imported goods for which these are not payable, an equalization tax is applied which amounts to 6 per cent of the value of the imported goods. Products exempted from customs duties are also exempted from this tax. ("Official Gazette of the SFRY", Nos. 22/68, 57/76 and 74/80).

A special tax of 1 per cent of the value of the imported product is payable on account of customs records for all imported goods which are not duty exempt. ("Official Gazette of the SFRY", No. 35/76).

In order to implement more efficiently the production policy in the agricultural sector, ensure the stability of the market for agricultural produce and foodstuffs and implement the price policy, certain imported agricultural and foodstuff products are subject to special charges amounting to the balance between the regular market price and the lowest price of imported goods. ("Official Gazette of the SFRY", Nos. 15/68 and 57/76).

When new foreign currency exchange rates were introduced along with an associated increase of the customs duty base and of other import charges, the special import surcharge of 10 per cent was eliminated. ("Official Gazette of the SFRY", No. 32/80).

Treatment of imports from various sources

There are no specific regulations regarding the special treatment of imports from different regions. In principle, the importer has only commercial considerations in mind when opting for the importation of a given product, (prices, quality, delivery terms, etc.).

State trading and government monopoly

In the Yugoslav economic system there are no State monopolies as regards the organization of export and import trade. As mentioned before, purchases and imports of goods for federal commodity stocks are made through a public tender or by the collection of offers and selection of the eligible importer to import the goods in question.

Export of goods

Goods may either be exported freely or under export licences.

The export of goods is mostly free, while only a small number of goods is exported on the basis of export licences.

For the export of goods subject to licences, the Organization of Associated Labour must obtain an export licence issued by the Federal Secretariat for Foreign Trade. The export licence régime covers specific goods the trade of which must be controlled, pursuant to obligations undertaken under international conventions, trade agreements and other intergovernmental agreements (armament objects, narcotic drugs, works of art, cultural values), as well as some agricultural products of importance to the home market.

Of the total number of items in the Customs Nomenclature, 5,577 items or 95.5 per cent may be exported freely, while 296 items or 4.5 per cent are subject to licensing. Free export accounted for 95.4 per cent in 1978, 95.1 per cent in 1979 and 94.2 per cent in 1980.

Measures to alleviate restrictions

The Social Plan of Yugoslavia established for the period from 1981 to 1985 the development policy for foreign economic relations during this medium-term period.

The part referring to the regulation of foreign trade exchange stipulates that the number of goods subject to restrictive import régimes should be reduced (imports on the basis of licences and imports based on quotas). The question concerning the imports of goods on the basis of quotas is of primary concern, as the cited quotas protect domestic production. It has been determined that domestic production should be protected by import quotas only in case of production which is in a process of development, in order that the remainder of domestic production be exposed to the positive influence of foreign markets, primarily with a view to increasing the productivity of labour and strengthening other factors of production.

Belgrade, 10 October 1981