

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
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TRADE RELATIONS BETWEEN YUGOSLAVIA AND THE CONTRACTING PARTIES SIGNATORIES TO THE DECLARATION OF 25 MAY 1959

Memorandum Submitted by the Yugoslav Government¹ on the Development of its Foreign Trade and Exchange Systems

1. The purpose of the present memorandum is to bring to the knowledge of the CONTRACTING PARTIES to the General Agreement, and in particular of the countries signatories to the Declaration of 25 May 1959, the major principles underlying the further development of the Yugoslav foreign trade and exchange system which, on the assumption that the required conditions materialize, will become effective at the beginning of 1961.
2. In order to adapt the existing foreign trade and exchange practices to bring them as closely as possible in line with the changes in the country's economic development and with the necessity of furthering economic and trade relations with the outside world, a whole series of measures were adopted in the course of the last few years. These measures were intended to give the system greater flexibility and, particularly to provide economic concerns with more objective criteria of the soundness and productivity of their operations. These measures included; in the first place, the removal of a large number of so-called coefficients, - and thereby of a large number of exchange rates, - and secondly the provision of the initial but essential bases for the introduction of a system of customs duties. In addition to these measures and concurrently with them, steps were taken gradually to relax administrative controls as and when the country's general economic development, and particularly the balance of payments, allowed.
3. Such were the circumstances which led to the adoption of the new customs law and of the customs regulations governing the application of this law. Compilation of the customs tariff was also begun, so that by 1 July 1960 it was possible to apply customs duties to a considerable range of Yugoslav imports; the signatories to the Declaration of 25 May 1959 were informed of this by the notification contained in document L/1261.

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4. This first customs tariff is incomplete as it covers only a portion of Yugoslavia's imports, and it will receive the necessary revision when the complete tariff is ready to bring it into line with the sections which are now being compiled.

5. When some of these measures were first adopted, the Yugoslav Government already stressed its intention to take subsequent steps to build up a more adequate system of foreign trade and exchange policies with the radical changes which have long been required as a result of the general economic development of the country. Preliminary work on the more important changes has been proceeding since the spring, and a special mission of the International Monetary Fund has twice visited Yugoslavia in that connexion. The discussions which took place included not only the customary consultations prescribed in the Fund's statutes, but also discussion of the problems connected with the proposed changes.

6. The first of the proposed changes is the abolition of the existing practice of multiple exchange rates. Instead, a single rate would be established for all foreign trade transactions. This would render inoperative existing coefficients, exchange premiums over the official rate, broken cross-rates, the so-called "DOM" clearing-houses¹, and the arrangements whereby the effective rates of exchange applicable to a portion of the imports are determined on the basis of the assumed "real" differences between foreign and domestic prices.

7. Consequently, the new customs system would apply to all the categories of Yugoslav imports to which customs tariffs have not hitherto been applied.

8. These changes will basically alter the system of exchange allocations. The present method of exchange allocations for imports would be dropped. It is intended to draw up a list of goods which could be imported freely and would include a wide range of raw materials, semi-manufactured products and other materials for further processing. The commodities on the list could be freely imported from all countries. Other goods intended for further processing would be imported under quota, and subject to individual import licences.

9. The volume of liberalized imports and the structure of imports under quota - and thus the time required for the measures to become effective - will depend on the amount of foreign exchange available to Yugoslavia.

10. Equipment goods would be imported under a global quota, the individual allocations being made, as at present, through the approved banks. This global quota could be used for imports from all countries with which bilateral agreements have not been concluded. In addition, global quotas would be established for imports from countries which have bilateral payment agreements with Yugoslavia. Apart from these imports under global quotas, investors could freely import necessary equipment goods from any country, but only within a fixed percentage of the amortization funds remaining at their disposal during the year under consideration.

¹Yugoslav exporters are allowed to retain 1 per cent of their exchange proceeds, which they may sell freely through these clearing-houses.

11. Current consumption goods would also be imported under the system of a single global quota, which could be used for imports from all countries with which bilateral payment agreements have not been concluded. There would also be individual global quotas for imports of current consumption goods from countries with which bilateral payment agreements do exist.

12. Owing to the fact that, under the proposed changes, certain commodities would be exported at lower effective rates of exchange, which was not the case hitherto, it is intended to introduce, as a temporary measure, an export incentive for these particular products, either in the form of subsidies or of tax abatements. Such subsidization should be on as modest a scale as possible and gradually be eliminated.

13. So far as external payments are concerned, the Yugoslav Government will be guided in formulating its policy by the actual conditions prevailing in the world, and will endeavour to the extent compatible with the interests and possibilities of its trade partners, to arrange for payments on a multilateral basis.

14. It is intended at a later date, within the limits allowed by the balance-of-payments situation and by the availability of foreign exchange from other sources, to adopt further measures to reduce existing restrictions. Such measures would consist, on the one hand, of extending the list of liberalized imports and, on the other, of increasing the amounts of the global and other quotas, where these exist.

15. Concurrently with the changes in the foreign trade and exchange system, the Yugoslav Government will also take steps in connexion with the internal economy, particularly in matters of fiscal and credit policy, with a view to assuring continuity in the anticipated economic expansion and in the present favourable development of production and trade.

16. It is expected that the changes referred to will come into effect at the beginning of 1961, though their implementation, as already mentioned, will be dependent on our country's actual possibilities.

YUGOSLAVIA'S EXPORT AND IMPORT TRADE
WITH GATT COUNTRIES

Value in millions of dinars

Country	Exports		Imports	
	1959	First six months of 1960	1959	First six months of 1960
1. Australia		14	2,643	2,365
2. Austria		6		
3, 4. Belgium (and Luxemburg)	6,289	4,180	7,898	5,577
5. Brazil	1,411	728	1,823	1,671
6. Burma	357	510	1,018	1,204
7. Canada	1,373	1,157	1,613	222
8. Ceylon	124	90	604	429
9. Chile	11	272	270	215
10. Cuba	139	110	177	210
11. Czechoslovakia	-	2	-	4
12. Denmark	4,916	3,649	6,946	4,674
13. Dominican Republic	381	188	702	445
14. Finland	-	-	-	392
15. France	89	52	152	36
16. Germany, Federal Republic of	3,471	1,491	4,204	4,430
17. Ghana	13,437	4,751	8,661	5,693
18. Greece	-	56	454	258
19. Haiti	4,319	3,000	1,939	1,159
20. India	-	-	-	-
21. Indonesia	3,112	752	1,532	1,258
22. Italy	4,304	2,495	239	146
23. Japan	17,316	12,431	19,189	13,382
24. Malaya, Federation of	-	274	1,735	1,670
25. Netherlands, Kingdom of the	10	3	1,510	1,665
26. New Zealand	1,844	752	4,017	2,127
27. Nicaragua	-	1	213	233
28. Norway	-	-	-	-
29. Pakistan	1,665	77	303	145
30. Peru	340	429	480	165
31. Rhodesia and Nyasaland Fed. of	16	7	102	257
32. Sweden	-	6	-	369
33. Turkey	1,126	656	2,311	1,268
34. Union of South Africa	569	402	528	245
35. United Kingdom	27	14	558	670
36. United States of America	10,216	5,996	10,638	8,306
37. Uruguay	9,344	5,333	42,004	11,287
	320	158	1,201	343
Total	86,542	50,028	125,664	72,520

EXPORTS AND IMPORTS BY GROUPS OF PRODUCTS

Value in millions of dinars

Country	Exports		Imports	
	1959	First six months of 1960	1959	First six months of 1960
Industrial products	108,084	56,878	165,858	113,818
Agricultural and forestry products	34,911	21,273	40,298	13,997
Totals	142,995	78,151	206,156	127,815
Of which: GATT countries	86,542	50,028	125,664	72,520
	60.5%	64%	60.9%	56.7%