

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## TRADE RELATIONS BETWEEN YUGOSLAVIA AND CONTRACTING PARTIES

### Supplementary Documentation for the Second Review under the Declaration of 25 May 1959

#### Addendum

1. In addition to the documents circulated as L/1494 and L/1494/Add.1, the Government of Yugoslavia has transmitted the attached three papers to facilitate the second review under the Declaration of 25 May 1959, which will be carried out during the nineteenth session. These papers are as follows:

- I. A memorandum on economic and trade policy during the year which has elapsed since the first consultations, held in November 1960 (page 2);
- II. A document on the status of Yugoslav undertakings (page 12);
- III. A document on subsidies which, while constituting a reply to the questionnaire of the Working Party on Subsidies, departs from that questionnaire on certain points in view of the special nature of Yugoslav export premiums (page 22).

2. Apart from the documents supplied by the Yugoslav Government, the following papers are also relevant for the second review:

Secretariat background paper L/1594

Other papers submitted by Yugoslavia in L/1494 and L/1494/Add.1

Report on the first review L/1378

I. Memorandum by the Government of Yugoslavia on economic and trade policy during the year which has elapsed since the first consultations, held in November 1960

In the past year the development of Yugoslavia's economy has continued to be marked by a general expansion in all sectors of the country's economic activity. In the years following the Second World War national income increased very rapidly, particularly in the period 1955-60 when it rose by 85 per cent. This increase was largely due to industrial expansion which more than offset the slower development in the agricultural sector, although agricultural production has steadily increased of recent years, more especially since 1956, the index having risen from 100 in that year to 141 in 1960. The share of industry in the national product was 46.2 per cent at the end of 1960, agriculture's share being 24.5 per cent.

This tendency in the formation of the social product continued in 1960 and 1961. Production as a whole continued to increase, except in the agricultural sector where it fell by 13 per cent due to bad weather conditions; industrial production, however, rose by 16 per cent, so that there was an increase of approximately 8 per cent in the national product.

In the first six months of 1961 industrial production rose by 9 per cent as compared with the same period of the previous year.

In view of particularly unfavourable weather conditions agricultural production this year is expected to be lower though it will probably exceed the harvest figures for the past few years when bad weather conditions were experienced.

The increase in industrial production and national income is due to the more marked effects of intense investment activity in the past few years. A large proportion of the national income - approximately 30 per cent per annum - was invested, thus enabling a rapid increase to be made in the rate of economic development. Investment continues at a high level and in 1960 gross investment in fixed capital was 23 per cent higher than in 1959; 32 per cent of all available resources were devoted to such investment.

This rapid increase in production was necessary because of the traditional backwardness of Yugoslavia's economy, the high rate of population increase and, more particularly, the increasing tendency of the rural population to move into the cities.

The effects of this economic expansion were also reflected in an increase of about 19 per cent in exports and 20 per cent in imports during 1960. Between January and June 1961 exports rose by 4.4 per cent and imports fell by 2.9 per cent as compared with the corresponding period in 1960. The rising trend in exports resulted in a reduction of the trade balance deficit by 7,000 million dinars in the first six months of this year.

Since the aim of Yugoslavia's economic policy is the gradual elimination of the foreign trade deficit and, consequently, the elimination of the balance-of-payments deficit on a higher level of trade with other countries, an increase of exports as well as imports is expected.

The total amount of credits granted by Yugoslav banks to the economy rose in 1960 (by approximately 17 per cent as compared with the preceding year) but fell during the first six months of 1961. Bank loans rose by 63,000 million dinars in the first six months of 1960, but during the corresponding period of this year they fell by 37,000 million dinars. This policy has yielded positive results as regards market stabilization in certain sectors and also the more rational employment of working capital in the economy. Selective credit control has become a characteristic feature of Yugoslavia's general economic policy.

Needless to say, these measures in the field of credit policy were not sufficient to stabilize the market completely. In 1960 the increase in personal income and consumer goods prices was higher than the estimates in the Social Plan for 1960. The cost-of-living index rose by 11 per cent in the period 1959-60 but this rise is expected to drop back to 8 per cent approximately during 1961. In the first six months of 1961 there was still an apparent trend towards somewhat higher prices. This was due to greater demand, a certain harmonization of relative prices, particularly the prices of certain agricultural and industrial products, and the change made in the mechanisms controlling the economic system. In order to check this tendency, wider administrative measures had to be taken to regulate prices though these measures are considered as provisional. The purpose of all these measures and of the policy of restricting investment in 1961 (according to the Social Plan for 1961 investment will be only 6 per cent higher than in 1960), and also of measures to prevent bank credit being used for investment costs, and of regulations governing the distribution of the income earned by undertakings, is to achieve gradual stabilization of the market and even of prices and personal incomes.

The balance-of-payments deficit rose from \$169.2 million in 1959 to \$209.5 million in 1960, due in the main to a deterioration in the trade balance which showed a deficit of \$218.5 million in 1959 and \$270.5 million in 1960.

If the above-mentioned deficit is adjusted by private donations (including possible errors and omissions) we get a deficit of \$162.7 million in 1960 as compared with \$142.8 million in 1959.

In 1961 the value of exports is expected to continue at the same level as in 1960, while the total value of imports will be approximately 2 per cent higher. The more rapid rise in imports as compared with exports, and the tendency of this disparity to become gradually less is, as already mentioned, due mainly to the increased need to import foodstuffs because of the poor weather conditions experienced in the last two years, and to a lesser degree, to the liberalization of a large proportion of imports following implementation of the reforms made in foreign exchange and external trade, as well as to the desire and the need to maintain imports at a level consistent with the requirements of Yugoslavia's economic development.

The restrictive measures on imports applied by certain GATT countries, together with growing customs discrimination against some of Yugoslavia's exports, are slowing down the increase in, and even reducing the volume of, those exports. This state of affairs is adversely affecting the balance of payments and making it difficult to operate Yugoslavia's economic policy for a speedy elimination of the balance-of-payments deficit.

## II

As already announced at the first consultations held last November, several far-reaching legislative provisions have been introduced this year, designed to improve Yugoslavia's economic system and create a more direct relationship between the Yugoslav economy and the world market. These measures concern the distribution of income in the economic organizations, the currency system and the reform of the foreign exchange and external trade system.

1. The CONTRACTING PARTIES to GATT were informed by document L/1494, dated 2 June 1961, of the reform introduced in the foreign exchange and external trade system and of the measures taken with effect as from 1 January 1961.

As may be seen from that document, the provisional general customs tariff came into force on 15 March 1961 and has been applied since that date. This tariff replaced the system of coefficients which existed earlier, thus simplifying the Yugoslav import regime and bringing it into line with the regimes applied by most contracting parties to GATT.

According to statistics furnished by the Federal Statistical Office, the average incidence of customs charges for the period April-August 1961 was 17.3 per cent. It is still too early to make any final assessment of the effect of the new customs tariff on the Yugoslav economy and, particularly, on relations with the various countries. A study is being made of this subject.

2. The next most important measure taken in Yugoslavia this year is the reform of the external trade system, with a view to simplifying and liberalizing such trade to the fullest possible extent and applying economic principles to exports and imports as a whole. The relevant details will also be found in document L/1494 of 2 June 1961.

The new measures introduced in this field will enable Yugoslavia's relations with third countries to be strengthened and extended and closer links established between the Yugoslav economy and the world market.

One of the basic features of the new system is the liberalization of imports. The more liberal import regulations cover a large proportion of Yugoslavia's imports - approximately 50 per cent of all imports, according to actual import figures and estimates for 1961, while slightly less than one third of our imports for 1961 are covered by free importation and liberalized licence. During the operation of the new system, these liberalization measures are expected to result in increased imports, particularly of raw materials, auxiliary reproduction materials and semi-manufactures, which will undoubtedly lead to a subsequent increase in production, better market supplies and expanded exports.

In this manner, i.e. by increasing exports rather than reducing imports, the Government intends to stabilize the policy of gradually eliminating the trade balance deficit and, consequently, the balance-of-payments deficit.

For the time being, however, the limited resources available still make it necessary to subject imports of certain goods to restriction by means of quotas (approximately 55 per cent of imports already effected and forecast for 1961) and individual licences (approximately 0.6 per cent), although the Government is following a resolute policy of gradually transferring certain articles from the restrictive licensing list to

lists based on more liberal forms of import regulations or to the liberalization list. It is, however, still difficult to forecast the rate of this development, as it will depend on the general balance-of-payments situation and on the amount of foreign exchange available. If certain contracting parties to GATT remove restrictions on imports of Yugoslav products the process of obtaining additional payment resources from abroad would be greatly helped.

3. The introduction of a single rate instead of the system of multiple exchange rates constitutes a rather important measure for the development of Yugoslavia's economy in general and for foreign trade in particular. It has not only simplified the foreign exchange regime but has also made it possible to establish a single criterion in economic relations within the country and with other countries.

Under a recent decision, from 1 January 1962 onwards the single rate (750 dinars per United States dollar) will apply to tourism and transfers of diplomatic funds, so that it will become generally applicable.

In order to ease the sudden transition from multiple rates to the single rate it has become necessary to provide temporary premiums on exports of certain products which used to be exported at effective rates higher than the single rate now in force.

These temporary premiums of a monetary nature are, however, limited to three rates - 10 per cent, 22 per cent and 32 per cent - and do not apply to less than half of total exports. The lowest 10 per cent rate applies to more than one half of the exports on which the premium is payable. It should be emphasized, however, that the levels of certain effective rates formerly applied to exports have not yet been reached and consequently a drop may be expected in exports of certain products which in earlier periods were exported at relatively high export rates.

Clearly, the full effect of the changes will become apparent only in future years and only then will it be possible to make a more valid assessment of the results of the reform. On the basis of that assessment it will be possible to take further decisions regarding the future development of the foreign exchange and external trade system.

That development will, however, follow the general course set by the foreign exchange reform, since it corresponds to internal economic trends and the logic of the Yugoslav economic system which is based on self-management by the workers. The rate of future development, particularly as regards the liberalization of imports, will naturally depend on the material resources which are mainly derived from Yugoslav exports.

## TABLE I/TABLEAU I

BALANCE OF PAYMENTS FOR 1960-1961  
BALANCE DES PAIEMENTS POUR L'EXERCICE 1960-1961

	(in mill. \$)	
	(en millions de dinars)	
	<u>1960</u>	<u>1961</u>
<u>A. Goods and services/Biens et services</u>		
Exports fob/exportations f.o.b.	568 <sup>1/</sup>	602 <sup>1/</sup>
- industrial goods/produits industriels	425	460
- agricultural goods/produits agricoles	143	142
Imports cif/importations c.a.f.	792 <sup>2/</sup>	957
- reproduction goods/biens de production directs	507	600
- capital goods/biens d'équipement	192	200
- consumer goods/biens de consommation	93	157
Trade balance/balance commerciale	-224	-355
Foreign travel/tourisme	7	9
Transportation/transports	48	56
Investment income/Revenu des investissements	- 11	- 13
Other services/Autres services	15	18
Total	59	70
<u>B. Private donations/Dons privés</u>	15 <sup>2/</sup>	17 <sup>2/</sup>
<u>C. Net errors and omissions/erreurs et omissions nettes</u>	..	..
<u>D. Total - Through C/total (jusqu'à C inclus)</u>	-150	-268
<u>E. Official and long-term capital and donations/capitaux publics à long terme et dons officiels</u>		
Loans and credits received/prêts et crédits reçus	78	99
- long-term credits/crédits à long terme	25	34
- medium-term credits/crédits à moyen terme	53	65
Net export credits/crédits d'exportation nets	- 14	- 18
Official repayments/remboursements publics	- 47	- 66
Payments for nationalized property/versements au titre des biens nationalisés	- 10	- 6
Reparations/réparations	24	9
Credits for exchange reform/crédits affectés à la réforme des changes	-	195
Agricultural surpluses and economic aid/excédents agricoles et aide économique	22	75
Total	53	288
<u>F. Official short-term capital and monetary gold/capitaux publics à court terme et or monétaire</u>		
Net IMF position/position nette FMI	- 12 <sup>3/</sup>	..
Bank credits received/crédits bancaires reçus <sup>4/</sup>	..	..
Payment agreements (net)/accords de paiements (nets) <sup>4/</sup>	..	..
Other foreign liabilities and assets/autres avoirs et engagements extérieurs	92	..
Monetary gold and exchange reserves (increase)/or monétaire et réserves de change (augmentation)	17	- 20
Total	97	- 20

1/ Non-monetary gold included/y compris l'or non monétaire.

2/ Excluding private transfers in kind/à l'exclusion des transferts privés en nature.

3/ Quota in dinars of 13.1 bill is not included/non compris le quota de 13,1 milliards de dinars.

4/ Included in other foreign liabilities and assets/compris dans les autres avoirs et engagements extérieurs.

TABLE II/TABLEAU II

YUGOSLAV EXPORTS TO AND IMPORTS FROM GATT COUNTRIES  
EXPORTATIONS ET IMPORTATIONS YUGOSLAVES EN PROVENANCE DES PAYS DU GATT

Country/Pays	Valeur (in million dinars)/Valeur en millions de dinars			
	Exports/Exportations		Imports/Importations	
	1959	1960	1959	1960
1. Germany (Federal Republic)/Allemagne (Rép. féd.)	13 437	15 230	28 932	36 973
2. Australia/Australie	14	13	2 643	3 681
3. Austria/Autriche	6 289	8 990	7 898	11 237
4. 5. Belgium (and Luxemburg)/Belgique (et Luxemburg)	1 411	1 384	1 823	2 633
6. Burma/Birmanie	1 373	1 317	1 613	929
7. Brazil/Brésil	357	1 713	1 018	2 008
8. Canada	124	221	604	925
9. Ceylon/Ceylan	11	281	270	225
10. Chile/Chili	139	168	177	210
11. Cuba	8	130	-	4
12. Denmark/Danemark	381	455	702	1 335
13. Dominican Republic/République Dominicaine	-	1	2	2
14. United States of America/Etats-Unis d'Amérique	9 344	11 589	42 004	26 549
15. Finland/Finlande	89	135	152	441
16. France	3 471	2 638	4 204	8 235
17. Ghana	34	81	454	319
18. Greece/Grèce	4 319	5 761	1 939	2 388
19. Haiti/Haïti	-	-	-	-
20. India/Inde	3 112	2 263	1 532	2 543
21. Indonesia/Indonésie	4 304	3 556	239	200
22. Italy/Italie	17 316	22 431	19 189	28 545
23. Japan/Japon	177	287	1 735	2 130
24. Federation of Malaya/Fédération de Malaisie	10	3	1 510	2 367
25. Nicaragua	-	-	-	-
26. Federation of Nigeria/Fédération de Nigéria	47	54	1	16
27. Norway/Norvège	1 665	164	303	271
28. New Zealand/Nouvelle-Zélande	-	11	213	327
29. Pakistan	340	607	480	472
30. Netherlands/Pays-Bas	1 844	1 783	4 017	4 307
31. Peru/Pérou	16	11	102	314
32. Federation of Rhodesia and Nyasaland/Fédération de la Rhodésie et du Nyassaland	-	16	-	389
33. United Kingdom/Royaume-Uni	10 216	12 988	10 638	13 625
34. Sierra Leone	-	7	-	-
35. Sweden/Suède	1 126	1 484	2 311	2 584
36. Czechoslovakia/Tchécoslovaquie	4 918	7 724	6 946	7 874
37. Turkey/Turquie	569	958	528	709
38. South Africa/Union Sud-Africaine	27	79	558	1 319
39. Uruguay	320	232	1 201	421
T O T A L	86 808	104 765	145 938	166 507
	61%	62%	71%	67%

TABLE III/TABLEAU III  
YUGOSLAV EXPORTS TO AND IMPORTS FROM GATT COUNTRIES  
EXPORTATIONS ET IMPORTATIONS YUGOSLAVES EN PROVENANCE DES PAYS DU GATT

Value (in million dinars)/Valeur en millions de dinars

Country/Pays	1960/1		1961/1	
	Exports Exportations	Imports Importations	Exports Exportations	Imports Importations
1. Germany (Fed. Rep.)/Allemagne (Rép. féd.)	6 783	19 194	7 206	20 965
2. Australia/Australie	6	2 365	5	2 205
3. Austria/Autriche	4 180	5 577	3 764	5 118
4.5. Belgium (and Luxembourg)/Belgique (et Luxembourg)	728	1 671	499	1 703
6. Burma/Birmanie	1 157	223	218	-
7. Brazil/Brésil	510	1 204	512	975
8. Canada	90	429	136	120
9. Ceylon/Ceylan	272	215	41	188
10. Chile/Chili	110	210	75	-
11. Cuba	2	4	662	318
12. Denmark/Danemark	188	445	264	956
13. Dominican Republic/République Dominicaine	-	-	-	1
14. United States of America/Etats-Unis d'Amérique	5 333	11 287	5 287	19 706
15. Finland/Finlande	52	36	75	286
16. France	1 491	4 430	1 454	3 192
17. Ghana	56	258	56	548
18. Greece/Grèce	3 000	1 159	2 609	1 703
19. Haiti/Haïti	-	-	-	-
20. India/Inde	752	1 285	2 358	1 005
21. Indonesia/Indonésie	2 495	146	2 288	61
22. Italy/Italie	12 431	13 382	11 070	18 691
23. Japan/Japon	275	1 700	72	827
24. Federation of Malaya/Fédération de Malaisie	3	1 665	2	1 566
25. Nicaragua	-	-	-	-
26. Federation of Nigeria/Fédération de Nigéria	17	-	19	-
27. Norway/Norvège	77	145	73	268
28. New Zealand/Nouvelle-Zélande	1	233	7	53
29. Pakistan	429	165	202	275
30. Netherlands/Pays-Bas	752	2 127	686	1 708
31. Peru/Pérou	7	257	4	-
32. Federation of Rhodesia and Nyasaland/Fédération de la Rhodésie et du Nyassaland	6	369	14	45
33. United Kingdom/Royaume-Uni	5 996	8 306	6 925	7 313
34. Sierra Leone	-	-	2	-
35. Sweden/Suède	656	1 268	847	1 386
36. Czechoslovakia/Tchécoslovaquie	3 649	4 674	2 715	2 683
37. Turkey/Turquie	402	245	460	381
38. South Africa/Union Sud-Africaine	14	670	70	436
39. Uruguay	158	343	66	186
<b>TOTAL</b>	<b>52 078</b>	<b>85 687</b>	<b>50 743</b>	<b>94 873</b>
	<b>67%</b>	<b>67%</b>	<b>62%</b>	<b>76%</b>

TABLE IV/TABLEAU IV

(Percentage of exports and imports in 1960)  
(Pourcentage des exportations et importations réalisées en 1960)

	All countries/Tous les pays		GATT countries/Pays du GATT	
	Exports 1960 Exportations 1960	Imports 1960 Importations 1960	Exports 1960 Exportations 1960	Imports 1960 Importations 1960
Payments in convertible currency/ Paievements en devises libres	48%	54%	73%	83%
Payments by clearing/ Paievements par clearing	52%	46%	27%	17%
		Exports 1961/1 Exportations 1961/1	Imports 1961/1 Importations 1961/1	
Payments in convertible currency/ Paievements en devises libres		74%	86%	
Payments by clearing/ Paievements par clearing		26%	14%	

## II. Status of Yugoslav Enterprises

1. Having in view that substantial changes have occurred in the status of Yugoslav enterprises since it was communicated to GATT members by document L/961 of 11 March 1959, it was found necessary to circulate a new revised paper on this subject showing the present position with reference to the past one.

2. For the operation of a planned economy, involving detailed production and distribution plans, together with a special price formation system, the basic instrument is a type of enterprise that facilitates administrative control of the economy.

The main features of this type of enterprise that in hands of administrative organs are all matters effecting its establishment and liquidation, as well as the raising, increasing or reduction of its capital, and, in general, the whole of its machinery of management. The Director of the enterprise himself is a Government official, acting as administrative and operational head, and receiving his directives from a higher economic body. The enterprise possesses no independent administrative machinery and is not independent economically. The administrative and operational management controls its means of production and can even divert them to another sector of the economy.

3. As this method of planning no longer exists in Yugoslavia, enterprises of the type just described are also non-existent. The passage of the law on the management of economic enterprises opened the way in 1950 to a new economic system and method of planning and consequently to a completely new type of enterprise.

The main features of this new system are that it confines the management of enterprises to workers collective of each enterprise itself defining the general lines only, along which economic activity is to develop together with the rates for the formation and distribution of the national income, general trends in production and trade, the increase in the standard of living to be achieved, and so forth. Economic enterprises are no longer charged with specific tasks in matters relating to the type, variety and volume of production. On the contrary, their activities are provided with the necessary guidance by means of economic measures intended to link the economic interest with the established economic development in general, based on the market economy.

4. In this respect it is important to stress:

- (a) that the present status of enterprises in Yugoslavia is totally different from that of the State enterprises that existed up to 1950 during the phase of State control of the economy;

- (b) that the present status of enterprises in Yugoslavia is based upon the principle of legal and economic independence allowing competition between enterprises, and that, to the extent that other import and export measures provide for identical treatment to be accorded to foreign goods, the régime to which these enterprises are submitted make it possible for foreign articles to compete on the Yugoslav market;
- (c) that the Yugoslav foreign trade system does not include any de jure or de facto monopoly;
- (d) that foreign enterprises and firms doing business with Yugoslav enterprises encounter no restrictions under identical conditions of competition.

5. Yugoslav legislation rests on the principle of the existence of a market economy and of free competition between enterprises. Article 55 of the Decree on commercial activity states that the Yugoslav economy is to develop "according to market conditions". Similarly Article 67 of the same Decree prohibits any restraint of free competition.

6. Within the framework of a market economy and the machinery of free competition, certain institutions and types of institution have been established in order to ensure the purely technical operation of this machinery. From the formal point of view these types of institutions may be the same as those existing in both the capitalistic and the socialistic economic systems if based on the principles of free competition. However, from the substantive point of view, and in terms of the objectives to be achieved, there may be fundamental differences. The history of legal institutions reveals many examples that certain of these institutions established for a specific purpose have deviated from the original purpose and have become the technical instruments for attaining social objectives of a different nature. The particular features of any legal system normally depend upon the type of social order involved, which can borrow or take over certain legal institutions from other social systems in order to attain its specific objectives.

Taking into account what has been said above, one may state that although the principles of free competition constitute the basis of the Yugoslav economic system, Yugoslav legislation is not yet sufficiently developed and does not contain all the necessary technical and legal provisions to regulate all questions in relation to the operation of the machinery of free competition. It can nevertheless be stated that the machinery of free competition between economic organizations is a part of the Yugoslav economic system even if it is as yet insufficiently developed. The predominant tendency in the Yugoslav economic system today is to provide a socialist economy with conditions which, mutatis mutandis, allow the machinery of a market economy and free competition to operate in so far as they do not affect the basic nature of this economy or jeopardise its fundamental objectives.

7. As regards the status of Yugoslav enterprises it is important to mention the basic aspects of the organization of these enterprises which confer upon them the characteristics of independent and self-managed economic entities capable of being integrated to a system of free competition. These aspects are as follows:

- (a) legal and economic independence of the enterprises;
- (b) autonomous status of the management bodies of the enterprises;
- (c) method of constitution and liquidation of the enterprises.

8. Within the framework of the present system and especially during its last phase, the enterprises are granted almost a full autonomy in matters relating to the management and utilization of the resources they receive from the community or acquire during their activity.

The right of utilization of resources (assets) also covers the right to dispose them within the limits of the law. The rights of an economic organization in this respect can only be restricted by a Federal law or by Federal social plan.

No action by any State organ, except legislation, can deprive economic organizations of their resources.

The logical outcome of this autonomy from the point of view of the utilization of resources is that economic organizations are committed to meet their obligations to the full extent of their assets. Similarly, in matters of trade, economic organizations enjoy a wide degree of autonomy which they could never possess under a system of administrative economic management, or a system of "State enterprises", in the strict sense of the term.

The workers' council of the organization decides upon the purchase or sale of basic assets (immovables, machines and other means of production). However, the rules of the organization may authorize the Management Committee or the Director of the organization to take decisions relating to the purchase or sale of goods not exceeding in value the amount stipulated in the regulations. Any contract entered into by the Director is valid regardless of the above-mentioned authorizations.

9. The financial autonomy of economic organizations is also reflected in the method used to determine and to distribute net income.

After deduction of the minimum amount required by law into the reserve fund, the rest is allocated between workers' and employees' net income, on the one hand, and miscellaneous funds on the other.

It thus follows that economic organizations meet all obligations (contributions and taxes) as determined by Federal legislation. State control of economic organizations is thus limited to their conforming to the provisions of the law under penalty of sanctions that are, in fact, limited to fines.

The economic organizations thus derive their income from the sale, on the market, of the articles or commodities they produce, and their success depends mainly upon the results of their activity.

The business funds of Yugoslav enterprises are derived either from their own accumulation or from credits granted from social investment funds as well as other credits controlled by the banks. In the final analysis, credits actually amount to an anticipation of one's own accumulation, as they must be refunded. Although such means - if they are not credits which must be repaid - constitute funds placed at the free disposal of enterprises, they are nevertheless social funds that the enterprises are obliged to reproduce continually out of the earnings resulting from their operations.

These general principles had already been endorsed to a certain degree at the time of the introduction of the system of workers' management in the economy. In earlier years, however, general provisions laid down which part of the income of enterprise was to be spent for personal incomes and which part was to be set aside for accumulation. Furthermore, special funds, such as the fixed assets, working capital and reserve funds of an enterprise, had to be set up within the framework of accumulated means. Such funds could be expended for specific purposes and, as such, had to be reproduced continuously. Even depreciation could be re-invested under specific provisions. All this limited, to a considerable extent, the independent action of enterprises, both in respect of the part of earnings left at the disposal of an enterprise after it had fulfilled its obligations towards the community and in respect of its disposal with the accumulated means to be used for financing its operations.

Such limitations were essential under the conditions prevailing at that time, in order to ensure the realization of general proportions in the economy laid down by social plans. However, the results achieved thus far in economic development, the substantial increase of social resources which grew from year to year and the assertion of workers' management, as a factor promoting a rapid economic development, have made it possible now to abolish these restrictions to the greatest possible extent.

The enterprise is now in a position - once it has met its obligations towards the community, i.e. paid its taxes and contributions - to dispose freely of the remaining part of the earnings and to take independent decisions concerning their apportionment between personal consumption and accumulation. In taking decisions concerning consumption and accumulation, the enterprises are primarily guided by their own interests, like any independent businessman. Having been placed, in a more consistent manner, into a position where they can obtain funds for production only by means of accumulation from the earnings

of which they freely dispose, the enterprises are showing a marked tendency towards an understanding for investing part of the earnings into their business funds. Even if there are cases when distribution is not effected in keeping with sound business principles, such cases are neither frequent nor particularly important - under the present conditions when the community disposes of relatively large resources - for the basic proportions in the economy which are laid down by the general social plan.

However, even in such cases, the community has at its disposal ways and means for checking such trends and for stimulating enterprises to carry on their business properly.

In this, a special role is played by the conditions under which credits are granted to enterprises, the latter being more or less compelled to avail themselves of this facility. When granting credits and determining priorities, the banks consider to what a degree their investment will be secure and interest-yielding. These two elements are usually judged by the relative size of the accumulation of a given enterprise. Furthermore, the banks require that the enterprises participate in corresponding investments or give secured advances, while credits, as already said, must be repaid. This compels the enterprises to set aside part of their earnings for forming their own funds for expanding production. Such a setting aside of earnings, as well as investments in general, is also stimulated by the rate of interest, length of credit repayment terms, etc. Other ways and means are also used for this purpose. For instance, the councils of producers in the representative bodies of territorial communities may make recommendations and suggestions to enterprises concerning their operations. As a means of influencing the operations of an enterprise, this method should not be underestimated under Yugoslav conditions, although, formally, the acceptance of such suggestions is not compulsory.

Concurrently with this change in regard to disposal with realised income, corresponding changes have also been made in the system of disposal with means used by enterprises for financing their activities. Their means are no longer divided into separate fixed assets and working capital funds which, as such, must continuously be reproduced and utilized for specific purposes, but have been pooled into a single business fund, which they may use either for investments in fixed assets or for financing stocks and current operations. They enjoy greater liberty with regard to the use of reserve funds which, anyhow, continue to be formed by all enterprises. Furthermore, there are no more administrative restrictions regarding the use of depreciation funds, which are now at the free disposal of enterprises in the same way as the recently established business funds.

The new system thus clearly tends to increase both the interest and the initiative of the aggregate body of the workers in achieving increased efficiency and productivity, to allow the economic organizations the widest possible degree of independence in the constitution of their assets and to lay as solid a foundation as possible for the promotion of the independent management of patrimonial assets.

10. As regards the autonomy of the organs that direct the activity of the organizations, the first point to stress is that the participation of the collective of workers in the management of the enterprise is one of the basic rights guaranteed by the constitution.

Under the previous system, the Director General managed the enterprise as a Government official or as an administrative or operational director, that is, as the representative of a higher official organ. The part played by the collective of workers in the management of the enterprise was very limited.

Today this administrative and operational control no longer exists, and the enterprises have received their autonomy.

Under the new system, the Director of the enterprise as one of its constituent elements, must carry out the decision of the organ representing the collective of workers, that is, of the Management Committee and the Workers' Council. The basic principle resides in the fact that the Director acts as the independent executive organ of the enterprise which he represents and on behalf of which he contracts agreements towards third parties. Should he commit the enterprise to any form of engagement without prior authorization by the organ representing the collective of workers, any such engagement would remain valid towards third parties, though the Director would be held responsible for any damage ensuing to the enterprise.

11. The extent to which economic organizations are subject to State control remains to be examined.

The basic principle is that the State authorities control the legality of operations of the enterprises. This check is carried out by means of appropriate inspections (financial, market, labour, health inspections, etc.), whilst decisions on punishment (mostly fines) are made in principle by tribunals.

12. In accordance with the Decree governing the establishment of enterprises and shops, the right to establish an enterprise is granted to State agencies and to economic, co-operative and social organizations, as well as to groups of citizens, subject to certain conditions specified in that Decree. The relationship between the founder organization and the enterprise which it establishes is determined by contract. During the first stage of establishment, the competent authorities appoint a director of the enterprise. He is responsible for taking all necessary action to bring the enterprise into operation. The next stage is the actual establishment, comprising the election of the workers' management body, adoption of regulations, and the handing over of the enterprise for management by the workers' collective. The establishment of the enterprise must be formally recorded in the register of economic organizations, and the workers' collective becomes responsible for its management as from that date.

The enterprise may cease to exist in three cases, as follows:

- (a) if proceedings for compulsory liquidation are instituted; this is similar from the legal and technical point of view to the system of bankrupter existing under the legislation of capitalist countries;
- (b) if the People's Committee decides to suspend the enterprise's activities because the necessary economic conditions no longer exist. These conditions are considered to exist if the enterprise pays the standing contributions to the social community and earns enough to pay the guaranteed basic wages of its workers and employees. In this case, the People's Committee could not decide to suspend the activities of the enterprise;
- (c) the enterprise's activities may also be suspended, in certain cases specifically provided under the law, by decision of the People's Committee or another State agency. (The Committee for Foreign Trade may also decree that an economic organization be deleted from the foreign trade register in specific cases.)

13. As already mentioned, Yugoslavia has no foreign trade monopolies, either legally or in practice. In this connexion, reference may be made to the provisions of the Decree concerning foreign trade transaction.

In accordance with that Decree, all the organizations listed in the register of economic organizations concerned with foreign trade may engage in transactions connected with such trade. It is the intention to discontinue with such register and to introduce normal notification to the tribunal.

The transactions considered to be connected with foreign trade are those relating to the import and export of goods, the representation of foreign firms, international consignment and forwarding international transport of goods (whether by road, inland waterways, sea or air), commission business of an international character, control of quality and quantity of goods, the execution of construction work abroad, tourist arrangements with other countries, and the execution of other services relating to trade with other countries.

The Decree prescribes the following general conditions to be fulfilled by an enterprise in order to be included in the foreign trade register:

- (a) the activities connected with foreign trade in which the economic organization intends to engage must correspond to its economic activity;
- (b) its organization, technical equipment, installations, the nature and quality of production, that is to say, the economic organization's operations, must be such as to ensure that operations connected with foreign trade will be of a continuing nature;

- (c) the responsible employees engaged in foreign trade must possess the experience and professional qualifications which such work demands;
- (d) the enterprise must be creditworthy;
- (e) the reserve fund must at any time have available a certain amount of immediate liquidity;
- (f) it must deposit with the National Bank of Yugoslavia, out of its own resources or those made available to it by the founder organization, a certain sum as security for the carrying out of transactions connected with foreign trade;
- (g) it must fulfil the conditions laid down in the special regulations concerning the various sectors of foreign trade.

The Committee for Foreign Trade may refuse to include in the foreign trade register an organization which fulfils the above-mentioned conditions if the Committee establishes that, from the economic point of view, there is no reason that organization should deal with matters of foreign trade. At the time of registration of production organizations with a view to export transactions concerning goods produced by them, the Committee does not make an assessment of economic factors, but is required to register any economic organization which fulfils all the other conditions. The economic organization is entitled to appeal to the Federal Executive Council against the decision rejecting its request for inclusion in the foreign trade register.

14. As may be seen from the above regulations, there are no State monopolies in the field of foreign trade. Any enterprise which meets certain specified objective conditions is entitled to apply for inclusion in the foreign trade register and, thereafter, to engage in activities connected with foreign trade. Similarly, it can be struck off that register only if it ceases to fulfil those objective conditions or infringes them through its activities.

Furthermore, there should not be any monopolies in practice, since the economic system encourages competition between the foreign trade enterprises. What is forbidden for these enterprises is to engage in unfair competition. The system as a whole tends to ensure the necessary conditions for the existence and unhampered functioning of the mechanism of competition.

15. One question which may be of particular interest to contracting parties to the General Agreement is the position of foreign enterprises and firms in Yugoslavia - in other words, the extent to which they can operate directly and permanently in Yugoslav territory and enter into competition on the Yugoslav market.

It must be pointed out that Yugoslav social system does not recognize the right of private ownership on means of production and trade. Because of this Constitutional principle, there are no private production or trade enterprises in Yugoslavia. However, Yugoslav social and economic system offers to foreign enterprises the same possibilities to enter and compete on the Yugoslav market as they enjoy on any other Western market. In any case, they are treated in this respect no less favourably as are treated Yugoslav enterprises.

Foreign enterprises and firms are free to enter into business contracts with any Yugoslav enterprise they choose. to conclude contracts with them either directly or through their representatives in Yugoslavia or abroad. They have full access to competent Yugoslav tribunals in order to ensure their rights, in case of need. They may send from time to time their representatives to Yugoslavia, they may participate in Yugoslav Trade Fairs, advertise in Yugoslav newspapers, etc. Therefore, the fact that foreign enterprises are not allowed to have their permanent representatives or seats in Yugoslavia does not affect the possibility of having free access to the Yugoslav market.

Yugoslav enterprises may represent foreign firms, either in their own name and for the account of the latter, or alternatively in their own name and for their own account. Only in exceptional cases are Yugoslav enterprises authorized to sell foreign goods in their own name and for their account, if express provision to this effect is recorded in the representation contract and in the foreign trade register.

The Decree concerning foreign trade transactions makes provision for the following as representation of foreign firms:

- (a) management in the name and for the account of a foreign firm of matters preliminary to the conclusion of a contract for the sale or purchase of goods or of a contract for services, as well as matters relating to the execution of such contracts (commission);
- (b) management in the name and for the account of a foreign firm of commission matters, with the right to conclude contracts for the sale or purchase of goods or for services (business representation);
- (c) management of matters relating to business representation as regards various technical services (business and technical representation);
- (d) sale of goods consigned by a foreign firm (on consignment).

The representation contract concluded with a foreign firm is submitted for approval to the Committee for Foreign Trade, as also is any contract by which a Yugoslav organization hands over to a foreign firm the management of matters concerned with representation and consignment.

16. In view of the foregoing, a foreign enterprise could not operate in Yugoslav territory through the intermediary of its permanent juridical institutions. It should not be concluded, however, that such an enterprise would be unable to compete, together with the other foreign firms, on the Yugoslav market on the same footing and without any discrimination. The foreign enterprises may at any time enter into a representation contract or establish co-operation with the various Yugoslav economic organizations, which can compete with one another. The foreign firm which is in a position to offer the best conditions on the Yugoslav market can - either directly or in co-operation with a Yugoslav enterprise - be the best competitor, since Yugoslav enterprises engage in competition with a view to taking the fullest advantage of the conditions prevailing on the market. Finally, foreign firms may contract business in Yugoslavia through their representatives sent from time to time to Yugoslavia for such purpose.

In conclusion, two remarks should be made:

- (a) the present-day economic system of Yugoslavia constitutes a new and original concept of socialist economy. It goes without saying that this concept will continue to develop and improve.

All the legal provisions hitherto adopted are based on a unique concept of the juridical and economic independence of enterprise, and of free competition within the conditions of the market economy which is at the same time of a planned nature.

- (b) The present statement deals mainly with the status of the Yugoslav economic organizations and the extent to which, within that framework, the basic principles of the General Agreement could effectively be implemented. It should, however, be borne in mind that the status of the enterprise is only one factor among the general problems which are of interest to the contracting parties - in other words, the rights and obligations which a new member of the organization acquires towards the other members, and vice versa.

With this in mind, it must be emphasized that the Yugoslav economic system is based on the principle of duality and of differentiation between the economic institutions (enterprises) and the administrative institutions and political and territorial authorities, from the point of legal patrimonial view, and also from that of organization and administration. This principle of drawing a distinction between the activities of State institutions, on the one hand, and independent economic organization on the other, is applied consequently through a series of legal provisions.

### III. The Yugoslav System of Subsidies

The Regulations on Export Premiums for some commodities entered into force in Yugoslavia on 15 March 1961.

The introduction of such premiums was necessitated by the need of adapting oneself to the changes in the foreign exchange and foreign trade regime (abolition of disparate exchange rates and introduction of a uniform settlement rate as well as abolition of multiple exchange rates in the form of coefficients), in order to enable the enterprises, through the granting of temporary premiums which will be gradually reduced, to adapt themselves with greater ease to the new conditions prevailing in economic activities.

No export premiums are granted in the case of the export of a number of commodities which used to benefit from export coefficients. About 50 per cent of total Yugoslav exports belong to this category.

Premiums are fixed on three levels: 10 per cent, 22 per cent and 32 per cent, depending upon the schedules and rates of premiums outlined in this Annex.

Fifty billion dinars have been set aside by the 1961 budget for premiums.

In view of the fact that the aforementioned Regulations entered into force as late as the middle of March of this year, no data on the financial effect of premiums granted for some groups of commodities are available as yet.

Computed on the basis of the anticipated volume of exports in 1961, 53 per cent of exports will not be granted any premiums, while 47 per cent of the anticipated exports will receive premiums in the following manner:

- A 10 per cent premium on 23 per cent of exports
- A 22 per cent premium on 11 per cent of exports
- A 32 per cent premium on 13 per cent of exports

List of articles entitled to a premium

	<u>Per cent</u>
<u>Section 113</u> (Petroleum)	
1. Lamp-black (soot)	22
<u>Section 114</u> (Iron and steel)	
1. Rolled steel products	10
2. Unwelded tubes	10
3. Welded tubes	10
<u>Section 115</u> (Metallurgy of non-ferrous metals)	
1. Bauxite ore	10
2. Aluminium oxyde	10
3. Pyrites concentrate	10
4. Chromium concentrate	10
5. Other concentrates, except lead concentrate	10
6. Ferro-manganese and silico-manganese	10
7. Ferro-chromium	10
8. Iron silicon	10
9. Other ferro-alloys	10
10. Antimony regulus and crudum	10
11. Rolled, pressed and drawn products of aluminium and aluminium alloys	10
<u>Section 116</u> (Non-metallic ores)	
1. Powdered clay products	10
2. Calcinated caustic magnesite	10
3. Sinter-magnesite	10
4. Basic bricks	10
5. Kieselguhr products	10
6. Silicate products	10
7. Asbestos flour and fibres - VI and VII class (according to JUS standards)	22
8. Feldspat	22
9. Natural bentonite	10
10. Processed bentonite	22
11. Activated clay	22
12. Calcinated plaster	10
13. Hollow glass	22
14. Flat glass	22
15. Optical glass and spectacles	22
16. Glass wood	22
17. Ceramics	22
18. Electro-porcelain	22

	<u>Per cent</u>
19. Barytes	10
20. Cement	10
21. Hewn quartzite (silex, segments and balls)	10
22. Other products (except quartz and steel sand, natural raw quartzite, natural white refractory emery (corundum), refractory bauxite, kaolin and clay for ceramics, crude magnesite, scraps of glass and porcelain, natural abrasives, crude plaster, limestone and marl)	10

Section 117 (Metal-processing industry)

1. Cast, forged and pressed parts	10
2. Nails	10
3. Barbed wire	10
4. Metal thread cloth, wire fabrics and other products	10
5. Electrodes for welding	10
6. Cast iron tubes and joints	10
7. Fittings - tubing accessories	10
8. Sanitary appliances	10
9. Armatures	10
10. Boilers and heating installations	10
11. Fasteners and parts	10
12. Joining and fixing material	10
13. Chains	10
14. Metal constructions	10
15. Enamelled tableware	10
16. Tableware other than enamelled	22
17. Metal packing materials	10
18. Utensils	10
19. Mine trolleys	22
20. Railway wagons and their parts	22
21. Trailers	22
22. Motor-bicycles, mopeds, motor scooters and their parts	22
23. Metal furniture	22
24. Current consumption products	22
25. Machinery, appliances and accessories	32
26. Motors, engines and parts	32
27. Internal combustion engines and parts	32
28. Tractors, agricultural machinery, appliances, tools and accessories	32
29. Lifts and parts	32
30. Weighing machines and parts	32
31. Locomotives and parts	32
32. Tools and appliances	32
33. Lorries, motor-buses and parts	32
34. Motor cars for the transport of passengers and parts	22
35. Bicycles and parts	32

	<u>Per cent</u>
36. Precision machinery - products and parts	32
37. Medical, dental and veterinary instruments, appliances and equipment	32
38. Physical training instruments, equipment and accessories	32
39. Fire extinguishers and parts	32
40. Sporting weapons	32
41. Parts for air navigation	32
42. Other products	10

Section 118 (Shipbuilding)

1. Motor-driven vessels	22
2. Smaller floating structures	10

Section 119 (Electrotechnical industry)

1. Electrotechnical products and parts	32
2. Electric installation material	22
3. Galvanic elements and accumulators	22
4. Incandescent bodies and lamp bulbs	22
5. Electric appliances for domestic use and parts	32
6. Measuring instruments and parts	32
7. High-frequency acoustic appliances for telecommunications	32
8. Telephone and telegraph apparatus and parts	32
9. Cinematograph projectors and parts	32
10. Gramophone records	22
11. Other products, with the exception of cables	22

Section 120 (Chemical industry)

1. Hydrate of sodium (caustic soda)	10
2. Light sodium carbonate (calcinated soda)	10
3. Nitric acid	10
4. Carbide of calcium	10
5. Nitrate of ammonium	10
6. PVC - powder and granulated	10
7. Plastic products	22
8. Dyes and varnishes	10
9. Drugs	22
10. Explosives and gunpowder	22
11. Copper sulphate (blue vitriol)	10
12. Superphosphates	10
13. Other chemicals (except chemical elements not specified, bases and basic acids, silver nitrate, mercury for dental use, oleum salviae, bone scraps precipitate of mercury, chloride and sublimate of mercury)	22



Per centSection 121 (Building materials)

1. Ornamental unhewn stone (blocks)	10
2. Ornamental hewn stone (slabs and other)	22
3. Asphalt	10

Section 122 (Timber industry)

1. Wooden panels	10
2. Blocks for parquet flooring	10
3. Wooden articles for construction (building carpentry)	10
4. Cartwright's work	10
5. Prefabricated buildings and parts	10
6. Wooden tools	10
7. Articles of wood (ordinary)	10
8. Articles of wood (fine)	22
9. Curved wooden chairs	10
10. Furniture	32
11. Pencils	32
12. Matches	32
13. Basket-work - articles of cane, maize straw, straw and the like	10
14. Basket-work - articles of wicker and reeds	22
15. Other finished wooden articles	32
16. Tanning extracts	32
17. Other products derived from the dry distillation of wood	22
18. Charcoal from wood distillation	10

Section 123 (Wood pulp, cellulose and paper industry)

1. Sulphite cellulose	
2. Paper and cardboard (except cigarette paper, natron paper and paper bags)	10
3. Cardboard	10
4. Manufactured articles of paper	10

Section 124 (Textile industry)

1. Cotton yarn	10
2. Cotton fabrics and blankets	10
3. Cotton hosiery - hosiery articles stockings and trimmings	10
4. Cotton garments	10
5. Woollen fabrics and blankets	10
6. Woollen hosiery - hosiery articles, stockings and trimmings	10
7. Woollen garments	10
8. Machine-made carpets	10
9. Hand-made carpets	32
10. Hats, felt for hats and berets	10

	<u>Per cent</u>
11. Felt for technical use and utensils	10
12. "Priglavci" - knitted peasant slippers	22
13. Linen yarn	10
14. Linen woven fabrics and awnings	10
15. Hemp yarn	10
16. Hemp string and rope	10
17. Hemp woven fabrics, sacks, covers, textile tubing for pumps	10
18. Jute woven fabrics, and sacks	10
19. Articles of coconut, manila and sisal	10
20. Raw silk	10
21. Natural silk yarn	10
22. Natural silk woven fabrics	10
23. Natural silk garments	10
24. Autocord	10
25. Woven fabrics and blankets of man-made fibres	10
26. Hosiery - hosiery, stockings and trimmings of man-made fibres	10
27. Garments of man-made fibres	20
28. Peasant handicraft products	32
29. Umbrellas and sunshades	10
30. Other textile products (except woollen thread and yarn, hemp yarn, linen yarn, silkworm cocoons, man-made fibres, yarn of man-made fibres, textile waste, and waste of other textile fibres and yarns not specified)	10

Section 125 (Hides and skins industry)

1. Assorted pigskins	22
2. Technical leathers, sporting equipment, harness, saddlery articles	10
3. Fancy-leather articles	22
4. Leather peasant handicraft articles	10

Section 127 (Food industry)

1. Semi-processed fruits	10
2. Finished fruit products	32
3. Semi-processed vegetables	10
4. Tomato purée	22
5. Finished vegetable products	32
6. Starch and starch products	32
7. Sugar preparations	22
8. Flour and sugar products	32
9. Ethylic alcohol	32
10. Cocoa preparations	10
11. Liqueurs and spirits	32
12. Wine distillate	32
13. Natural wines	10
14. Dessert wines	32

	<u>Per cent</u>
15. Industrial wines	32
16. Fermented fruit juice	22
17. Bacon	22
18. Bled poultry	10
19. Salt meat	10
20. Pork-butcher's meat	22
21. Meat preserves	32
22. Fish preserves and paste	32
23. Local spices and aromatic plants	10
24. Fresh edible oils and industrial oils	10
25. Soups, concentrates	10
 <u>Section 128</u> (Graphic arts industry)	
1. Printed sheets	32
2. Illustrated postcards and photographs	10
3. Bindings and binding work	22
 <u>Section 129</u> (Tobacco industry)	
1. Tobacco in leaf (fermented and non-fermented)	10
2. Tobacco - miscellaneous products	22
 <u>Section 130</u> (Cinematographic industry)	
1. Film licences, newsreel sequences and parts of films	32
2. Accompanying advertising material	32
3. Cinematographic production services and co-participation	32
 <u>Section 131</u> (Geological research)	
1. Geological services	22
 <u>Section 211</u> (Agriculture)	
1. Grain of cereals, seeds of industrial plants, vegetable seeds, straw and fodder, flower seeds and other seeds	10
 <u>Section 214</u> (Poultry-breeding)	
1. Eggs in the shell	10
 <u>Section 216</u> (Domestic transformation of agricultural products)	
1. Dried fruits ("Maraska")	10
2. Dried vegetables	10

Per centSection 313 (Forestry exploitation)

- |  |    |
|--|----|
| 1. Charcoal                                    | 10 |
| 2. Medicinal plants (except sage and camomile) | 22 |

Section 511 (Railway transport)

- |  |    |
|--|----|
| 1. Wagons in service: Transport of goods in port transit | 10 |
|--|----|

Section 512 (Maritime transport)

- |  |    |
|--|----|
| 1. Ships in service: long distance international transport                         | 10 |
| 2. Ships in service: long distance coasting trade.<br>Exports, imports and transit | 10 |
| 3. Ships in service: short distance coasting trade.<br>Export, imports and transit | 22 |
| 4. Tankers in service: export, imports and transit                                 | 10 |
| 5. Towage, salvage and refloating of submerged ships - elevators                   | 10 |

Section 513 (River transport)

- |   |    |
|---|----|
| 1. Vessels in service: exports, imports and transit | 32 |
|---|----|

Section 515 (Road transport)

- |   |    |
|---|----|
| 1. Lorries in service: exports, imports and transit       | 22 |
| 2. Motor coaches in service - payment in foreign currency | 22 |
| 3. Tank lorries in service: exports, imports and transit  | 22 |

