

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Balance-of-Payments Restrictions

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1984 CONSULTATION WITH YUGOSLAVIA

Statement Submitted by Yugoslavia Under the Simplified Procedures for Consultation¹

I. BALANCE OF PAYMENTS, EXCHANGE RESERVES AND FOREIGN DEBT

Balance of payments

Since 1980, the balance of payments of Yugoslavia has shown a constant reduction of the deficit, reaching equilibrium and even a slight surplus in 1983. The improvement in the current account balance was achieved over the last four years (1980 to 1983) by means of a substantial reduction in the trade deficit, independently of the decrease in the surplus on invisibles. We have planned for growth in economic relations with foreign countries in 1984, and expect a surplus on current account of the order of \$800 million, achieved through a gradual and continuous reduction of the trade deficit.

This should make it possible to apply foreign exchange receipts not only to payment of interest, but also to payment of amounts due on reimbursement of credits and foreign loans.

(millions of dollars)

	1979	1980	1981	1982	1983 ²	1984 ³
Current account balance	-3,661	-2,291	-946	-558	+274	+800
Comprising:						
Trade balance	-7,225	-6,086	-4,323	-2,826	-2,241	-1,650
Balance on invisibles	+3,564	+3,795	+3,377	+2,268	+2,515	+2,450

²Preliminary data

³Estimate

¹Documentation supplied by the Yugoslav authorities.

A substantial reduction of the trade deficit has resulted from the increase in exports (the average rate of growth of exports in the last four years was of the order of 9.9 per cent), and partly from a reduction of imports of goods (imports increased over the same period at a rate of 3.5 per cent). The coverage of imports by exports rose from 48.5 per cent in 1979 to 81.6 per cent in 1983.

As a result, the foreign trade deficit fell from \$7.2 billion in 1979 to \$2.2 billion in 1983.

We expect a substantial increase in exports of goods in 1984, which should contribute to increased imports of goods essential for revitalization of production and for improved supply of the domestic market. We also believe that the foreign trade deficit can be reduced without a decrease in imports if their rate of increase is slightly slower than that of exports.

(millions of dollars)

Year	Exports of goods	Imports of goods	Trade balance	Coverage of imports by exports (per cent)
1979	6,794	14,019	-7,225	48.5
1980	8,978	15,064	-6,086	59.6
1981	10,205	14,528	-4,323	70.2
1982	9,923	12,749	-2,826	77.8
1983	9,913	12,154	-2,241	81.6
1984 estimate	11,650	13,300	-1,650	87.6
Change for the period:				
1980-1983	+9.9%	-3.5%		
1980-1984	+11.4%	-1%		

Foreign exchange receipts from invisibles, after substantial growth in 1980, showed a downward trend, whereas foreign exchange expenditure on invisibles maintained a notable increase until 1983, when it decreased considerably. In the last four years, receipts from invisibles have decreased at an average annual rate of 2.4 per cent, whereas expenditure on invisibles has increased at a rate of 2.0 per cent. As a result, foreign exchange receipts from invisibles have fallen from \$3.6 billion in 1979 to \$3.4 billion in 1981 and \$2.5 billion in 1983.

(millions of dollars)

	Foreign exchange receipts from invisibles	Foreign exchange expenditure on invisibles	Net foreign exchange receipts from invisibles
1979	7,732	4,168	3,564
1980	9,322	5,527	3,795
1981	9,310	5,933	3,377
1982	8,657	6,389	2,268
1983	7,027	4,512	2,515
1984 estimate	7,920	5,470	2,450

The most important items of the invisible trade balance as regards receipts, are remittances of workers, tourism and transport, and as regards expenditure, drawings on private accounts, transport and interest on foreign loans and credits.

The decrease in net foreign exchange receipts from invisibles is due to an increase in payments of interest (net), which rose from \$633 million in 1979 to \$1,773 million in 1982 and \$1,532 million in 1983. The tightening of the invisible trade balance is due, in particular to the level of receipts from workers being lower than that of the drawings made.

The movements in the current account trade balance mentioned above are almost entirely due to trade transactions settled in convertible currency, as shown in the table below:

(millions of dollars)

Convertible currency area	1979	1980	1981	1982	1983 ¹	1984 ²
Current account balance	-3,356	-2,204	-1,821	-1,514	+299	+800
Comprising:						
Trade balance	-6,570	-5,665	-4,880	-3,517	-1,798	-1,400
Invisibles balance	+3,214	+3,461	+3,059	+2,003	+2,007	+2,200

¹ Preliminary data

² Estimate

A substantial reduction of the deficit in the trade balance with countries with which trade transactions are settled in convertible currency has resulted from the increase in exports, but also from a large reduction of imports able to bring the deficit down to an acceptable level. The average rate of growth of exports to countries with which trade transactions are settled in convertible currency was 7.1 per cent during the last four years, whereas the rate of decrease of imports from those countries was 8.1 per cent. The coverage of imports by exports rose from 42 per cent in 1979 to 77.7 per cent in 1983.

As a result of such movements in trade with the above-mentioned countries, the trade balance deficit has been reduced from \$6.6 billion in 1979 to \$1.8 billion in 1983.

For 1984 we have planned a large increase in exports, accompanied by a slight increase in imports from countries with which trade transactions are settled in convertible currency, in order to maintain the trend towards an improved balance of trade. We expect to reduce the deficit of \$1.8 billion in 1983 to \$1.4 billion in 1984, and thus to raise the coverage of imports by exports of goods from 78 per cent to about 85 per cent.

(millions of dollars)

Convertible currency area	Exports of goods	Imports of goods	Trade balance	Coverage of imports by exports (per cent)
1979	4,766	11,336	-6,570	42.0
1980	5,656	11,321	-5,665	50.0
1981	5,720	10,600	-4,880	54.0
1982	5,526	9,043	-3,517	61.1
1983	6,271	8,069	-1,798	77.7
1984 estimate	7,700	9,100	-1,400	84.6
Average rates of change for the period:				
1980-1983	+7.1	-8.1		
1980-1984	+10.1	-4.3		

Reserves of foreign exchange

In 1982 foreign exchange reserves were considerably reduced. The same level was maintained at the end of 1983.

(millions of dollars)
Position at the end of the year

	1979	1980	1981	1982	1983 Preliminary data
Total foreign exchange reserves	2,044	2,567	2,687	1,676	1,567
Comprising:					
Assets of the National Bank of Yugoslavia	1,315	1,465	1,702	850	1,000
Assets of commercial banks	729	1,102	985	826	567

Foreign debt

The foreign debt rose from \$18,395 million in 1980 to \$21,255 million at the end of 1983.

(millions of dollars)
Position at the end of the year

	1979	1980	1981	1982	1983 Preliminary data
Net foreign borrowing	13,731	16,869	17,873	18,542	19,357
- Total debt	14,952	18,395	19,458	20,260	21,255
- Foreign loans	1,220	1,526	1,585	1,718	1,898

The level of indebtedness of the country (measured by the ratio between annual instalments - except on short-term loans - and current foreign exchange receipts) increased substantially in 1983. This was due mainly to the decrease in receipts from invisibles, but also to the increase in annual instalments.

<u>Year</u>	<u>Level of indebtedness (per cent)</u>
1979	18.4
1980	18.4
1981	20.5
1982	20.8
1983	27.0

The level of indebtedness relates to trade as a whole, whether settled in convertible currency or by clearing. For the convertible currency area, the level of the debt is higher by 3 to 5 percentage points than the level indicated for trade as a whole.

II. MEASURES TO REMEDY THE SITUATION

The measures taken since 1980, with a view to internal stabilization of the economy, are designed to direct production more towards exports and to reduce the excessive growth of internal consumption to the level of the means available, by establishing a situation in which the economic advantage of exporting will become predominant, import needs will be assessed mainly according to production for export, the amount and conditions of foreign debt will be determined according to the export capacity of economic agents, and the organizations of associated labour and the banks will be fully responsible for fulfilment of obligations contracted. It has thus been possible to balance the current account within a short period and in spite of complex internal and international conditions, and to keep the country externally solvent by the use of new credits from international institutions, foreign governments and banks. It should be noted, however, that economic development has proceeded under very difficult conditions, in which external solvency has been one of the main limiting factors.

Economic growth began to slow down in 1980, and by 1983 the rate was negative. Domestic product, after having one of the highest growth-rates in the world for a long time, was 1.3 per cent lower in real terms than in 1982. And this was in spite of a growth of 1.3 per cent recorded by industrial output in the face of considerable difficulties connected with the supply of imported intermediate products and inadequate power supplies. The decline of domestic product is due mainly to the decrease of production in agriculture and in the building industry. After maintaining a relatively high rate of growth over a number of years, agricultural production recorded a decline of 2.1 per cent in 1983, due mainly to a substantial decrease of production in market gardening and stock breeding. The reduction of investment in capital goods over several years led to a decrease of about 14 per cent in building in 1983 as compared with the previous year.

With a view to bringing all forms of domestic consumption into line with the means available, investment in capital goods was reduced over the last four years at an average annual rate of 8.2 per cent, while in 1983 this rate was about 12.5 per cent. Individual consumption fell at an average annual rate of 0.5 per cent and in 1983 at 1.7 per cent, while real personal income declined at an average annual rate of 7 per cent and in 1983 at 11.8 per cent.

(changes from previous year per cent)

	1979	1980	1981	1982	1983
Domestic product	+7.0	+2.3	+1.5	+0.7	-1.3
- Industrial production	+7.9	+4.2	+4.2	+0.1	+1.3
- Agricultural production	+5.7	+0.0	+1.4	+7.5	-2.1
Investment in capital goods	+6.4	-5.0	-9.8	-5.5	-12.5
Individual consumption	+5.6	+0.7	-1.0	-0.1	-1.7
Real personal incomes	+0.1	-7.5	-5.0	-3.3	-11.8
Cost of living	+20.4	+30.3	+40.7	+31.7	+40.5
Volume of exports	-0.4	+10.7	+12.2	-6.4	+1.0
Volume of imports	+8.0	-10.1	-5.3	-10.0	-4.6

The economic policy measures provided for in the Resolution on economic and social Development and the economic policy of Yugoslavia in 1984 and other measures contained in the Programme of long-term economic stabilization and the Plan for implementation of that Programme, are intended to provide conditions under which it will be possible to put an end to the stagnation and decline of production through work and commitments. We are planning for an increase of about 2 per cent in domestic product in 1984, in which industrial output will represent about 3 per cent and agricultural production about 2 per cent. We also expect an increase in total exports of goods and services of about 16 per cent and an increase of about 20 per cent in exports to countries with which trade transactions are settled in convertible currency. The increase in imports of goods and services should reach a level of about 7 per cent. It is planned that employment will increase by about 2 per cent and that the fall in the labour productivity of the whole economy will be checked. As regards investment activity, we shall continue to reduce investment in the future (by about 10 per cent) and to reduce general and collective consumption (by about 6 per cent). On the other hand, we expect the fall in real personal incomes to be retarded.

The main object of our economic policy is to revitalize economic activity by creating the conditions necessary for the growth of production, exports and productive employment. We are therefore encouraging the following, in particular: industrial production for export; power production, production of certain raw materials, intermediate products and agricultural products; development of transport, tourism and small businesses; and the building of housing. This selective stimulation of production, particularly production for export, is being undertaken with a view to solving the problem of solvency in foreign exchange. For in order

to ensure repayments on the principal of the debt when due (about \$3 billion a year) and to increase its foreign exchange reserves, Yugoslavia will have to achieve in 1984 and the following years some surplus on its current account balance. It follows that from the first stage of implementation of the Stabilization Programme, it will be necessary to establish material, organic and other conditions permitting the accomplishment of this important task.

It is through qualitative changes in the economic structure, the initiation of a real export drive and increased exports of goods and services (especially to the convertible currency area), rationalization of imports, reduction of the level of indebtedness while overcoming current balance of payment difficulties and internal difficulties, that we shall be able to achieve, at the end of the first stage of implementation of the Stabilization Programme, growth-rates of 4 to 5 per cent for industrial production, about 3 per cent for agricultural production, about 2 per cent for labour productivity and, finally, 3 to 4 per cent for the national product. The share of exports and imports of goods and services in the domestic product of the economy as a whole should be about 30 per cent.

III - MAIN CHARACTERISTICS OF THE REGULATIONS GOVERNING THE MANAGEMENT OF FOREIGN TRADE AND EXCHANGE TRANSACTIONS

The régime of management of foreign trade and exchange transactions is based on the fundamental principles of the Law on Foreign Exchange operations and Foreign Credit Relations and the Law on Exchange of Goods and Services with Foreign Countries. Some elements of economic relations with foreign countries, such as co-operation in long-term production and technical and investment co-operation, foreign investment in organizations of associated labour and the conduct of commercial activities abroad are precisely regulated by special laws.

During the period 1981-1984 the Law on Foreign Exchange Operations and Foreign Credit Relations and the Law on Exchange of Goods and Services with Foreign Countries were amended in the sections dealing with exports and imports of goods and services and with the right to dispose of foreign exchange. The amendments made in these laws made it possible to establish the necessary framework for the future self-management organization of the economy. It is owing to the expansion of production of goods and the degree of technical development of the economy attained that it has become possible to promote foreign economic relations. At national level this entails lasting integration of the organizations of associated labour on the basis of the social agreement and the self-management convention.

One of the special features of Yugoslav legislation is that problems which directly affect the material status of the organizations of associated labour and the solution of which affects the interests of a large number of agents, are dealt with more precisely in social conventions and self-management agreements. The parties to the Social Convention on foreign economic relations are the competent organs of the Federation, the Republic and the regions, as well as the associations and organizations of associated labour (system of communities of interest and economic chambers), whereas a self-management agreement is concluded between two or more organizations of associated labour according to their interests. Social conventions and the self-management agreements are binding on all agents having concluded them.

The indispensable rôle of the State consists in its responsibility for the country's position in international relations and for the state of the balance of payments and foreign exchange reserves of the SFRY, as well as for achieving the objects and carrying out the tasks of the common economic policy and, in this context, of the country's foreign exchange policy. The function of the State is essentially one of guidance and planning. Its field of action ensures unobstructed evolution of self-management relations.

Legal and administrative bases for the application of trade restrictions

The basic legislation governing foreign economic relations includes the following texts:

- Law on Foreign Exchange Operations and Foreign Credit Relations, published in the Official Gazette of the SFRY No. 15/77. Modifications and amendments to this Law were published in the Official Gazette of the SFRY Nos. 61/82, 77/82, 34/83 and 70/83;

- Law on Settlements in Convertible Currencies, published in the Official Gazette of the SFRY No. 34/83. Modifications and amendments to this Law were published in the Official Gazette of the SFRY No. 70/83;

- Law on Exchange of Goods and Services with Foreign Countries, published in the Official Gazette of the SFRY No. 15/77. Modifications and amendments to this Law were published in the Official Gazette of the SFRY Nos. 17/78 and 5/82. The revised text of the Law is published in the Official Gazette of the SFRY No. 52/82;

- Law on Performing Business Activities Abroad, published in the Official Gazette of the SFRY No. 15/77. Modifications and amendments to this Law were published in the Official Gazette of the SFRY Nos. 17/78 and 5/82. The revised text of the Law was published in the Official Gazette of the SFRY No. 52/82;

- Customs Law, published in the Official Gazette of the SFRY No. 10/76. Modifications and amendments to this Law were published in the Official Gazette of the SFRY Nos. 36/79, 52/79, 12/82, 61/82 and 7/84;

- Law on customs tariff, published in the Official Gazette of the SFRY No. 27/78. Modifications and amendments to this Law were published in the Official Gazette of the SFRY Nos. 29/83 and 7/84;

- Law on Long-term Production Co-operation, and Technical and Investment Co-operation, and on the Acquisition and Transfer of Patents between Organizations of Associated Labour and Foreign Persons, published in the Official Gazette of the SFRY No. 40/78. Modifications and amendments to this Law were published in the Official Gazette of the SFRY No. 10/83. The revised text of the Law was published in the Official Gazette of the SFRY No. 30/83;

- Law on Foreign Investments in Yugoslav Organizations of Associated Labour, published in the Official Gazette of the SFRY No. 18/78;

- Law on the Principles of the Banking and Credit Organization System, published in the Official Gazette of the SFRY No. 1/77.

Exchange régime

Each year, the Assembly of the SFRY determines the common exchange policy, of which the projection of the Yugoslav balance of payments and foreign exchange balance form an integral part. The regulations relating to the common exchange policy provide the framework and guidelines for the adoption of measures concerning export and import policy, the protection of domestic production, the exchange-rate of the dinar, foreign exchange reserves, credit relations, etc.

The common exchange policy is implemented by acts of the competent organs and organizations at the level of the Federation, the republics and the regions, and by social conventions and self-management agreements. The objectives and tasks deriving from the common exchange policy, insofar as it relates to the acquisition and management of foreign currencies, are implemented by the instruments adopted between the organizations of associated labour within the framework of their associations - Yugoslav Community of Interest for foreign economic relations and the communities of interest of the republics and the regions; the Economic Chamber of Yugoslavia and the general associations of the Yugoslav economy.

The organizations of associated labour acquire foreign exchange by the sale of goods and services on foreign markets, through long-term production co-operation with foreign countries, commercial activities abroad, foreign loans, the issue of securities and other transactions with foreign countries. Foreign currency is acquired both by the organizations of associated labour which export direct (producers of finished products) and by any other organization of associated labour which participates in exports (producers of raw materials and intermediate products). Relations between these organizations are regulated on the basis of self-management agreements relating to the sharing of foreign exchange obtained through participation in export trade. The self-management agreements on the acquisition of foreign exchange and its sharing are concluded before the establishment of rights to dispose of foreign currency. These agreements enable organizations of associated labour which do not export direct, but whose participation in export trade is known, to enjoy the status of exporters which offers certain advantages under the exchange régime.

Before calculation of the share of foreign exchange due to organizations of associated labour for their foreign payments, a proportion of the foreign currency is deducted to be sold for special purposes, according to a uniform percentage laid down in the Act relating to the common policy on exchange matters or another Act of the Assembly of the SFRY.

This is used in part for the acquisition of raw materials and intermediate products (imports of energy materials and raw materials used in the manufacture of essential products for the domestic market: medicaments, washing products, chemical fertilizers, products for plant protection etc.). The remainder of the foreign exchange withheld covers the Federation's needs and is used to supplement Yugoslavia's foreign exchange reserves, cover the foreign indebtedness of the National Bank of Yugoslavia and meet fixed and guaranteed commitments abroad.

The remaining foreign exchange accrues to the organizations of associated labour to meet their justifiable import needs for the collectivity.¹ In accordance with the "uniform criteria", this foreign exchange is allocated among the organizations of associated labour which are grouped in various forms of association and integration. The uniform criteria are adopted by the Yugoslav Community of Interest for foreign economic relations in consultation with the Yugoslav Economic Chamber and those applicable to the year 1984 were published in the Official Gazette of the SFRY No. 8/84. These criteria are designed to ensure that justifiable import needs for the collectivity of organizations of associated labour remain within the limits envisaged by the balance of payments and exchange balance and that the objectives of the common exchange policy are achieved. The uniform criteria applied to determine the import needs of organizations of associated labour grouped in the various forms of association and integration are defined on the basis of the export/import ratio in the two preceding years and of the export and import growth rates laid down in the balance of payments and exchange balance of Yugoslavia for the current year.

The share of foreign exchange accruing to the various organizations of associated labour for their justifiable import needs for the collectivity is determined by the self-management agreements concluded between the organizations within the framework of their various associations and other forms of integration. Accordingly, the total foreign payments of all the organizations grouped within any form of association or integration must not exceed the volume of justifiable import needs for the collectivity resulting from the uniform criteria applicable to any form of association or integration of the organizations of associated labour, as verified by the Yugoslav Community of Interest for foreign economic relations and the Yugoslav Economic Chamber.

The organizations of associated labour make all foreign payments corresponding to justifiable import needs for the collectivity as determined in this way. Organizations which obtain foreign exchange in sufficient

¹ Justifiable import needs for the collectivity comprise: commitments linked to foreign credits, imports of raw materials and intermediate products, parts intended for the maintenance of capital goods, and payment of invisibles.

quantity to meet their own justifiable import needs for the collectivity use their own foreign exchange to settle their commitments, after deduction of the proportion earmarked for collective needs. Organizations of associated labour which do not acquire sufficient foreign exchange to meet their justifiable import needs for the collectivity, or which do not export at all while having fixed import needs, can purchase foreign exchange on the exchange market.

Organizations of associated labour which have acquired an amount of foreign exchange exceeding their justifiable needs for the collectivity are required to sell the surplus on the exchange market. In order to allow proper operation of the interbank assembly in the exchange market, the associated banks are required by law to guarantee as a matter of priority to repurchase foreign exchange from organizations of associated labour which have not retained the foreign exchange available on their own accounts, but have sold it to authorized banks for integration in the exchange market. In such case, the authorized bank which has purchased the foreign exchange gives an undertaking to the selling organization that the latter can buy back the foreign exchange whenever needed for foreign payments.

The sources and amount of foreign exchange needed for the import of equipment and of parts intended for the maintenance of equipment goods, and likewise import criteria and priorities, are laid down by the Act on common exchange policy within the context of balance-of-payments and exchange balance forecasting.

In order to impose stricter discipline on all economic agents (organizations of associated labour and authorized banks) in settling their foreign indebtedness, the Law on Settlements in Convertible Currency was adopted in 1983. The basic principle of this Law is that foreign exchange for the payment of commitments resulting from foreign credits must be obtained by the organizations of associated labour or any other public agency to which the credits were granted. In the event that the debtor does not have sufficient foreign exchange to honour its indebtedness, the difference will be covered on a basis of solidarity, first by the organizations of associated labour forming part of a large enterprise or group of enterprises (a commercial and technical entity), next within the framework of an authorized bank with which the debtor organization of associated labour has a foreign-currency account - that is, within the framework of banks authorized at the level of the republic or autonomous region - lastly, through solidarity at the level of the Federation, which implies intervention by the National Bank of Yugoslavia.

The rights and objections of organizations of associated labour and authorized banks in regard to the acquisition of foreign exchange are defined by the self-management agreement or contract concluded between them.

Basic characteristics of import and export regulations

Foreign trade operations are regulated by Law on Exchange of Goods and Services with Foreign Countries, which defines the institutional framework for the formulation and implementation of export and import policy. Under that Law, the social convention between the competent authorities of the Federation, the republic or autonomous region and the associated labour groups establishes a long-term programme covering exports and imports covering the duration of the Yugoslav social plan (five years). In the event that the social convention is not adopted by the date set, the Federal Executive Council determines the long-term regulations for exports and imports.

The long-term export and import programme establishes basic objectives and guidelines to protect domestic production, economic activities within the framework of which certain products may be imported or exported under quota, services subject to special conditions, and the fundamental criteria in regard to exports and imports.

Under the long-term export and import programme, the direct agents for foreign trade (organizations of associated labour - producers, consumers, exporters and importers of specified goods) conclude the self-management agreement stipulating the goods to be exported or imported under quotas, the size of quotas, the dynamics of exports and imports of goods under quota, and quota allocations.

Exceptionally, in order to secure market stability, supply the market with a particular product and eliminate any disruption at the level of production and consumption of certain products, the Federal Executive Council may decide that a particular product is to be placed temporarily under export or import quota until such time as the necessity for such action no longer exists. In such case, the Federal Executive Council fixes the quotas and the method of allocating them.

In addition, acting in agreement with the competent authorities of the republic or autonomous region concerned, the Federal Executive Council can make the export and import of such products subject to licensing. The latter is designed to ensure implementation of international commodity agreements and to control traffic in narcotic drugs, armaments, antiques and works of art. The Federal Executive Council lays down the conditions for the grant of licences and designates the authority that issues them.

Methods used for regulating imports

Goods may be imported freely, or under quotas and licensing. In addition, for the import of certain products, a licence must be obtained from the Federal Secretariat for Foreign Trade.

Goods are classified in the various import régimes on the basis of the Brussels tariff nomenclature, on which the Yugoslav customs tariff is also modelled. The list of goods, indicating the applicable export or import régime, was published in the Official Gazette of the SFRY, No. 27/83.

(a) Liberalized products (LB) can be imported freely and without any restriction. This is the case in particular for imports of raw materials and intermediate products, as well as consumer goods and some equipment. Over the period 1981-83 the number of products liberalized for import increased. This was also the case for the share of such goods in the total value of imports.

	Number of tariff headings		Share in total value of imports (per cent)	
	1980	1983 ¹	1980	1983 ¹
Liberalized	3,545	4,542	41.7	47.0
Quota	2,248	1,270	36.7	32.0
Licensing	83	74	21.6	21.0

¹As from June 1983

Note: The Yugoslav customs tariff comprises a total of 5,886 tariff headings.

(b) Where applicable, import quotas are fixed in terms of either quantity (Kk) or value (Kv). Quotas are set for a given period, generally one year, but can also be set for a period of several years on the understanding that the set period must coincide with the period of validity of the long-term export/import programme, i.e. with the period of the medium-term social plan. The quota régime covers imports of products in economic sectors to be developed under the social plan of the SFRY and the export/import programme.

(c) In accordance with the criteria laid down by law, import licensing concerns only goods in respect of which trade with other countries is covered by international agreements and conventions and obligations deriving therefrom. At the present time, import licensing affects only 1.2 per cent of all tariff headings.

(d) In order to promote trade with developing countries, more particularly imports of products originating in those countries, i.e. direct purchases in developing countries, imports of certain products are subject to prior approval by the Federal Secretariat for Foreign Trade. This requirement applies to imports of a few products from developing countries such as tropical fruit, spices, cocoa, certain vegetable fats, cotton, jute, sisal, tropical timber, etc.

Customs duties and import charges

Over the period 1980-83 the average tariff rate on imports (weighted by the import value) was slightly over 7 per cent: 7.6 per cent in 1980 and 1982, 7.3 per cent in 1981 and 1983.

The Law on Customs Tariff of 1983 granted exemption from customs duties to raw materials and intermediate products imported in 1983 and 1984 with a view to the manufacture of goods for export payable in convertible currency, and in the case where imported raw materials and intermediate products are paid for by means of goods-credits established under special legislation (Official Gazette of the SFRY, No. 29/83). The goods manufactured from such raw materials and intermediate products must be exported within nine months following the date of import, as verified by the customs offices.

The Law on Payment of a Special Equalization Tax on Imported Products (Official Gazette of the SFRY, No. 63/80) established a special tax to equalize charges on domestic products and on like imported products. The reason is that in Yugoslavia most domestic products are subject to special charges such as levies designed to finance development of the under-developed republics and autonomous regions, or to alleviate the effects of natural disasters, etc. Imports of most products are subject to this tax, the amount of which is fixed each year by the Federal Executive Council in agreement with the competent authorities of the republics and regions. For the year 1984, the rate of the tax is around 6 per cent (Official Gazette of the SFRY, No. 71/83). Persons not subject to customs duties are exempt from this tax (diplomatic and consular representatives, workers employed temporarily abroad and granted customs duty exemption for certain products of a specified value, etc.).

Average import duty rates (%)

Customs tariff section number	1980	1981	1982	1983
I. Live animals, animal products	9.3	9.1	7.6	9.3
II. Vegetable products	3.7	3.4	5.2	3.3
III. Fats, oils and waxes	7.4	7.8	7.9	5.9
IV. Foodstuffs and tobacco	5.9	6.6	6.1	6.4
V. Mineral products	1.2	1.3	1.5	1.3
VI. Products of the chemical industry	7.8	7.9	7.9	7.9
VII. Plastic materials and rubber	10.7	10.2	10.4	10.4
VIII. Leather, furskins and articles thereof	1.1	1.9	2.5	2.6
IX. Wood and articles of wood	4.7	5.0	4.8	4.8
X. Paper-making materials, paper and articles thereof	7.8	8.3	8.6	8.4
XI. Textiles and textile articles	9.1	8.9	9.2	10.3
XII. Footwear, headgear, feathers, etc.	17.4	17.8	18.1	18.7
XIII. Articles of stone or plaster	12.5	13.3	12.7	12.6
XIV. Pearls, precious stones and jewellery	8.7	11.9	11.7	10.7
XV. Base metals and articles thereof	9.6	9.6	9.9	9.8
XVI. Machinery, appliances and equipment	12.4	12.6	12.6	12.0
XVII. Vehicles and other means of transport	13.6	13.8	13.0	13.9
XVIII. Instruments	9.0	9.0	9.3	9.7
XIX. Arms, ammunition and parts thereof	24.3	24.9	25.0	10.4
XX. Miscellaneous manufactures	16.0	15.9	16.2	16.2
XXI. Works of art	3.0	2.3	2.5	1.9
I-XXI All sections	7.6	7.3	7.6	7.3

In 1984, certain products in short supply on the domestic market are exempt from this tax, as well as are the raw materials and equipment for producing them. Most of these products enjoy duty-free treatment (medicaments and raw materials for their manufacture, chemical fertilizers and raw materials for their manufacture, equipment for petroleum and gas prospection, equipment for coal and uranium mines, energy materials for domestic needs, etc. - (Official Gazette of the SFRY, No. 7/1984)).

In addition, the special tax on imports of non-ferrous ores and concentrates (copper, lead, zinc and antimony) is of the order of 1 per cent but is charged at the rate of 2 per cent on imports of civil aircraft and equipment intended for the construction of installations in the under-developed republics with the aid of the association of labour and means (Official Gazette of the SFRY, No. 71/1983).

The tax on account of customs records is charged at the rate of 1 per cent of the value of the imported product on all imported goods which are not exempt from customs duty (Official Gazette of the SFRY, No. 35/1976).

In order to ensure the agricultural development policy, market stability and implementation of the prices policy, a special charge is payable on imports of certain agricultural and foodstuff products (Official Gazette of the SFRY, No. 15/1968). The amount of the charge is fixed in dinars per unit of quantity and represents the difference between the normal domestic market price and the most favourable import price free-at-Yugoslav-frontier, including customs duty.

Seasonal customs duties at the rate of 20 per cent are charged in addition to the normal customs duties on imports of certain vegetables, fruit and fresh flowers (thirteen tariff headings) during specified periods (Official Gazette of the SFRY, No. 63/1978).

Export of goods

Goods may be exported freely in most cases; only a few products are subject to export quotas for licensing. In the case of goods subject to licensing, the organization of associated labour must obtain a licence from the Federal Secretariat for Foreign Trade. Export licensing applies to goods covered by international commodity agreements or those subject to compulsory control under an international convention (narcotic drugs, armaments, war gases, etc.) as well as to certain works of art and antiques.

Since mid-1983, products in 94 per cent of the total number of customs tariff headings may be exported freely, 0.7 per cent are subject to export licensing and 5.3 per cent are subject to export quotas.

In order to implement the export policy established by the Annual Resolution on the socio-economic development and economic policy of Yugoslavia, and by the long-term economic stabilization programme, each year

the Assembly of the SFRY decides on the means to be transferred to the Yugoslav Community of Interest for foreign economic relations to encourage export trade. For 1984, the amount of those means is fixed at 59.7 per cent of the revenue from customs duties and other import charges (Official Gazette of the SFRY, No. 70/1983).

The self-management agreement concluded between the organizations of associated labour within the framework of the Yugoslav Community of Interest for foreign economic relations makes provision for export incentives for various economic sectors through reimbursement of customs duties and other charges, and also the export of agricultural products. The decision on entitlement to reimbursement of customs duties and other charges was published in the Official Gazette of the SFRY, No. 25/1983, 40/1983, 47/1983 and 2/1984.

Foreign trade operations covered by special regulations

In order to foster links between domestic producers and their foreign partners, a higher-level form of co-operation is in effect, known as long-term production co-operation, covering mutual deliveries of parts, assemblies, sub-assemblies, components, elements and finished products. In respect of such operations, approval by the competent Federal authority for conclusion of such a co-operation arrangement also confers the right to import and export products that are subject to quota or to import or export licensing. This entitlement is for the duration of the contract.

The import of equipment, raw materials and intermediate products under the contract on foreign investments in organizations of associated labour may be organized on the basis of approval by the competent Federal authority, replacing in this case the quota régime or licensing.

As in the cases mentioned earlier, in the case of compensation operations with other countries, approval by the competent Federal authority in respect of the compensation operation also implies the possibility to import or export goods subject to quota or licensing without a special licence or quota application having to be filed.

Regional breakdown of foreign trade

The regional structure of foreign trade has improved somewhat in the past three years, in line with a long-term political option aimed at better-balanced participation of the various regions in Yugoslavia's foreign trade.

Regional Breakdown of Yugoslavia's Foreign Trade
(in percentage terms)

	<u>1981</u>		<u>1982</u>		<u>1983¹</u>	
	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>	<u>Export</u>	<u>Import</u>
OECD countries	27.4	49.0	28.0	51.0	33.3	45.3
Developing countries	18.3	15.3	21.2	14.8	19.9	16.9
Socialist countries	54.3	35.7	50.8	34.2	46.8	37.8

¹ January-November

Having regard to the high degree of concentration of Yugoslavia's imports from OECD countries, which account for the major part of the trade deficit and the foreign debt, we have envisaged for 1984 more rapid growth of exports to those countries than of exports as a whole.

Attainment of this objective will nevertheless depend to a great extent on access possibilities for Yugoslav products exported to the markets of OECD countries. The importance of this question is illustrated by the fact that over the past three years about 50 per cent of Yugoslavia's exports to the OECD countries comprised the following products: agrifood products, beverages and tobacco, iron and steel, textiles and clothing, footwear and leather articles, machinery and electrical appliances, as well as means of transport including boats.

Share of Certain Sensitive Sectors in Yugoslav
Exports to OECD Countries (%)

	<u>1981</u>	<u>1983¹</u>
Agrifood products	14.4	14.8
Beverages and tobacco	2.1	2.2
Iron and steel	4.1	3.5
Textiles and clothing	7.5	7.6
Footwear and leather articles	3.0	3.0 ²
Machinery and electrical appliances	8.5	7.9
Means of transport	8.0	10.1
TOTAL	<u>47.6</u>	<u>49.1</u>

¹ Eleven first months

² Only footwear

All the sectors mentioned above are characterized by evident concentration of various trade restrictions whose elimination, or at least alleviation, would facilitate solution of the problem of the huge foreign debt through increased exports that would open prospects for more rapid growth of imports.

Trade with the East European socialist countries takes place within the framework of lists of goods that are drawn up annually. Industrial products are the major commodity category in Yugoslavia's exports, while imports consist primarily of raw materials, including energy materials, needed for Yugoslavia's industry.

Clearing arrangements for payment are in operation with Yugoslavia's three major partners in this region. In this respect the Yugoslav surplus has been reduced substantially in relation to recent years, and trade was almost in balance in the eleven first months of 1983.

Yugoslavia has clearing arrangements in general with only five countries: the USSR, Czechoslovakia, German Democratic Republic, Albania and Mongolia. In the past three years the proportion of total Yugoslav exports covered by clearing arrangements has been declining (from 45.2 per cent in 1981 to 43.8 per cent in 1982 and 37.3 per cent in the eleven first months of 1983). In parallel, the proportion of total Yugoslav imports covered by clearing arrangements has increased somewhat (from 28.2 per cent in 1981 to 28.6 per cent in 1982 and 30.4 per cent in the period January-November 1983).

Promotion of trade and other forms of economic co-operation with the developing countries is one of the strategic objectives of Yugoslavia's foreign trade policy, as borne out by the resolution of the Assembly of the SFRY on development of economic co-operation with the developing countries, adopted at the end of 1983. That resolution makes provision for actions to be undertaken at all decision-making levels and for incentive measures to be adopted in order to ensure a durable interest of the economy in co-operation with partners in the developing countries. In parallel with the increase in trade volume, provision has also been made for changes in the structure of imports from developing countries with a shift toward more highly processed products, especially industrial products. Other forms of economic co-operation such as financial, technical and technological co-operation, as well as industrial co-operation, should also contribute to trade promotion.

Generally speaking, trade with the developing countries is in balance. Nevertheless, in 1982 Yugoslavia's imports from those countries dropped back, but they subsequently recovered in 1983. Yugoslavia's exports to developing countries declined in 1983 for the first time since 1972. This fluctuation was largely the result of external financing problems experienced both by Yugoslavia and by its principal developing-country partners; in some cases we have tried to overcome the problems through compensation arrangements.