

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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SUBSIDIES

Notifications Pursuant to Article XVI:1

YUGOSLAVIA

Supplement

The following supplementary notification has been received from the Permanent Mission of Yugoslavia.

Short-term export financing

1. Nature and Extent of the Subsidy

(a) Background and Authority

Export incentives through short-term credit using the rediscounting facilities of the National Bank of Yugoslavia are given with the aim of achieving the export development targets set by the Social Plan of Yugoslavia 1981-1985, the annual resolutions of the Assembly of the Socialist Federal Republic of Yugoslavia on the policy of implementing the Social Plan, and by the annual decisions of the Assembly on the goals and objectives of the common money issue and monetary policy and on the common basis of credit policy.

Short-term export financing is carried out on the basis of the Decision on the attainment of the goals and objectives of the common money issue and monetary policy and on the common basis of credit policy for the current year, which for 1984 was published in the "Yugoslav Official Gazette", Nos. 17/84 and 48/84. This Decision of the Federal Executive Council sets the total amount of primary money issue for the next year, while the conditions for the use of primary issue

for specific credit purposes are governed by the Decision on the measures to implement the credit and monetary policy for the year in question, which is made by the Board of Governors of the Yugoslav National Bank. For 1984 this Decision was published in the "Yugoslav Official Gazette"; Nos. 18/84, 27/84, 32/84 and 52/84.

(b) Incidence

The Yugoslav National Bank, out of its primary issue resources, rediscounts the credits extended by the commercial banks to the manufacturers of exported goods or to the manufacturers preparing goods for export.

The commercial banks may use the National Bank rediscounting facilities for one of the following purposes:

- for financing exports of goods and services on cash terms, up to the level of 65 percent of the credits extended for the exports of goods and services payable in convertible currencies, or up to the level of 62 percent in the case of exports payable through clearing arrangements, provided that the repayment periods for these credits are 90 and 30 days respectively;

- for financing exports on commercial credit, up to the level of 60 percent of the credits extended by the banks to the manufacturers who have exported goods on commercial credit, or up to the level of 80 percent in the case of exports to the developing countries. The repayment periods in both cases cannot exceed 24 months for exports of serial equipment, 18 months for exports of durable consumer goods and 6 months for other exports;

- for financing the claims on the basis of exports of equipment and vessels and foreign investment projects on credit terms. These credits are jointly extended by the commercial banks and the Yugoslav Bank for International Economic Cooperation (YUBMES): the commercial banks extend the whole line of credit to exporting organizations of associated labour, and

YUBMES extends their line of credit commensurate with their share of financing particular exports. The share of YUBMES is determined by its credit policy. Both the commercial banks and YUBMES are entitled to rediscount. The banks may use a rediscount of up to 70 percent of the credits extended by them for that purpose, out of their credit potential, to domestic exporters, which are falling due within 2 years, and YUBMES of up to 35 percent of the credits extended by it to the banks, which are falling due within 3 years;

- for financing the manufacture and preparation of goods for export, and preparations for rendering services to foreign tourists up to the level of 35 percent of the credits extended by the commercial banks to the manufacturers of exportable goods, with the period of repayment of 90 days. Exceptionally, if the technological process or the preparation of goods for export lasts more than 90 days, the period of repayment may be extended to 6 or 12 months, in the case of goods the manufacture of which takes more than 6 months.

In addition to rediscount rate, the primary issue credits for these purposes are also restricted by a specific limit, as the total volume of the primary issue resources used at the Yugoslav level cannot exceed 37 percent of the primary issue used to rediscount the claims on account of exported goods and services. In the period January-September this limit does not apply to the primary issue used for the preparation of the tourist season, the use of which is already minimal (considerably below the limit).

The banks may use the primary issue for rediscounting the claims of associated labour organizations from IBRD on the basis of the works done and the equipment installed under the investment projects in Yugoslavia, partially funded by IBRD, up to the level of 80 percent of their claims from investor associated labour organizations on account of rediscount for

that purpose, provided that the repayment period does not exceed 3 months, starting from the date of primary issue use.

Primary issue is mostly used for financing exports on cash terms.

(c) Amount of Subsidy

In 1982 the amount of 99.2 billion dinars was allocated for export financing from primary issue; in 1983 it reached 158.2 billion dinars, so that by December 20, 1984 it totalled about 264.3 billion dinars. (The estimated amount for 1984 as a whole is some 267.5 billion dinars.).

The rates of interest charged on export credits from primary issue were as follows: till the end of January 1983 4 percent; from February 1 until the end of June 1984 18 percent; from July 1 to September 30, 1984 21 percent; from October 1 to December 31, 1984 31 percent, and since January 1, 1985 36 percent.

The interbank self-management agreement on the policy of interest rates stipulates that the interest which the exporting associated labour organizations pay to the banks for the credits extended them through National Bank rediscounting facilities, should by 2 percentage points exceed that which the banks pay the National Bank.

(d) Estimated Amount per Unit

Because of the nature of subsidy it is impossible to estimate the amount per unit.

2. Effects of the Subsidy

(a) Estimated Quantitative Trade Effects

It is not possible to estimate the quantitative trade effects of the subsidy in question.