

GENERAL AGREEMENT ON TARIFFS AND TRADE

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

Basic Document for the First Annual Review

Introduction

1. Section C of the Declaration of 25 May 1959 on relations between contracting parties to the General Agreement and the Government of the Federal People's Republic of Yugoslavia provides that the CONTRACTING PARTIES be requested to review each year "the development of mutual relations between Yugoslavia and the other parties on the basis of this Declaration as well as the possibilities of further progress towards the full application of the provisions of the General Agreement". The CONTRACTING PARTIES agreed that the first review should be effected at the seventeenth session. The Council, at its first meeting, recommended that a working party should be set up to conduct the review and draw up a report for adoption by the CONTRACTING PARTIES, and that the working party should be open to participation by all contracting parties which are signatories to the Declaration of 25 May 1959.

2. In the light of the provisions of Section C of the Declaration of 25 May 1959 and the report in L/986 the Council agreed that the review should cover the following three aspects of the relations between Yugoslavia and the contracting parties concerned:

- (a) Development in Yugoslavia's commercial policies and progress towards a position to apply the provisions of the General Agreement.
- (b) The extent to which the other parties to the Declaration are applying to Yugoslavia the provisions of the General Agreement in the manner envisaged in paragraph 1 of Section B of the Declaration.
- (c) Any concrete and practical problems arising between Yugoslavia and the other parties to the Declaration as envisaged in paragraph 2 of Section A and paragraph 2 of Section B of the Declaration.

3. As instructed by the Council, the secretariat, in consultation with the Governments of Yugoslavia and the contracting parties concerned, has prepared this basic document for reference by the Working Party in conducting the review. The two parts of the document broadly cover the subjects noted under (a) and (b) above. As regards (c), no concrete case has come to the knowledge of the secretariat.

4. Section C of the Declaration of 25 May 1959 provides that the review should cover the possibility of further progress towards the full application of the provisions of the General Agreement. In relation to this subject, the Government of Yugoslavia has transmitted a memorandum, outlining the "Essential Principles guiding the Future Development of the Yugoslav Foreign Trade and Exchange System". This memorandum is circulated separately under the symbol of L/1338.

I. Developments in Yugoslavia's commercial policies and progress towards a position to apply G-IT provisions

(a) Evolution of the foreign trade system

5. In the course of the discussion leading to the adoption of the Declaration of 25 May 1959, the Government of Yugoslavia supplied two memoranda providing information on its foreign trade and exchange systems and the status of its economic "organizations". In clarification of this information members of the Working Party of the fourteenth session put a number of questions to the Yugoslav delegation, and the replies given by the latter have been noted in an annex to the report of the Working Party.¹ For the convenience of the Working Party a brief summary is given below of the information thus made available by the Yugoslav delegation as well as certain relevant information obtained from other sources.

6. During the ten years from 1950 Yugoslavia undertook a series of relaxations of controls and simplifications of the control procedures. By 1959 considerable progress had been made towards the reduction of direct State intervention, although trade continued to be effectively controlled by the Government. The control involved a detailed allocation of foreign exchange to specific sectors of the economy and the operation of a system of multiple exchange rates. Reliance was placed on multiple exchange rates partly because of the absence of conventional control devices such as a custom tariff. Progress towards a freer and more competitive trade system

¹These papers, which formed the basis on which the Declaration of 1959 was formulated, are the following:

Foreign Trade and Exchange Systems in Yugoslavia (L/962)

Status of Yugoslavia's Economic Organizations (L/961)

Questions put by members of the Working Party of the fourteenth session and answers by the Yugoslav delegation (L/965/Add.2.).

was also reflected in the gradual increase in the number of enterprises engaged in foreign trade following the abolition in 1951 of the State foreign trade monopoly which had operated through only ten trading organizations.

7. In 1951 compulsory deliveries from farms were abolished and in 1953 permission was given to dissolve collective farms. In 1952 practically all price controls were eliminated and towards the end of 1953 the efficiency of the price mechanism as a market regulator was further enhanced by extensive fiscal reforms. By 1951 the practice of central planning of production targets for individual enterprises was virtually abandoned. Central investment planning was considerably relaxed in 1955 by making available to enterprises and local authorities, on the basis of competitive bidding, the resources of the Central Investment Fund with only a small proportion of this Fund reserved for specific projects. Previously, investment funds had in general been allocated to particular investment projects specified in the Federal Social Plan. In subsequent changes, enterprises were given increasing scope for independent decisions concerning the scale and pattern of production, investment and trade. Since 1958, Workers' Councils have been permitted to determine for themselves the allocation of net income between investment and for distribution as profits among the workers of the enterprise. There was, therefore, an extension of the scope of competition and of the freer play of market forces.

8. In the foreign trade field, following the abolition of the State-trading monopoly in 1951, a complex system of levies and bounties was instituted in order to counteract disparity in the structure of domestic and foreign prices and costs. In practice the equalization of foreign and domestic prices was achieved by the operation of a system of multiple exchange rates involving the use of a system of "co-efficients".¹ This system of multiple effective import and export rates was further complicated by the use of broken cross-rates with the United States dollar for a number of clearing currencies. Gradually, the differences between domestic and foreign prices narrowed so that the number and the range of co-efficient could correspondingly be reduced.

9. For example, the number of export co-efficients, other than unity, was reduced from more than 150 in 1955 to 24 in 1957, to 13 in 1959 and to 11 in December 1959. The range was narrowed from 0.60 - 2.00 before December 1959 to 0.80 - 2.00 at present. Also in December 1959 the number of import co-efficients was reduced from 11 to 9 and their range from 1.00 - 3.00 to 1.00 - 2.50. Moreover, the application of import co-efficients has subsequently been discontinued for goods to which the provisional tariff is applied. Similarly, the number of broken cross-rates applying to different foreign currencies was reduced from as many as fourteen a few years ago to 3 at present and the margin of their disparity with the United States dollar rate was also reduced.

¹The term "co-efficient" is used to denote a ratio between average internal prices in Yugoslavia and average foreign prices ("franco" Yugoslav border) for a given type of commodity after conversion into dinars at the settlement rate.

(b) Changes in the trade and payments system since May 1959

10. The most noteworthy new development in Yugoslavia's foreign trade control system since the adoption of the Declaration of 25 May 1959 was the coming into effect of the Customs Law on 17 September 1959 and the subsequent application of a provisional tariff to 127 commodity headings. Details of this are given in document L/1261. A complete customs tariff which is eventually to apply to all imports is still in the process of being drawn up. Except for automobile imports and most non-commercial imports, which have for some time been subject to a customs tariff, this is the first time that imports into Yugoslavia have been regulated by means of a tariff.

11. As of 1 January 1960 the number of commodities still subject to export licensing has been reduced to fifty and all export prohibitions were abolished. These relaxation measures followed the elimination of export prohibitions for some seventy commodities in March 1959. About 30 other products are subject to export quotas. The main products at present remaining subject to export control are a number of industrial raw materials, some processed foods, certain agricultural produce and certain feedingstuffs and some textiles.

12. On the import side, the requirement of advance approval for the import of consumer goods was abolished in January 1960. In September 1960 the system of distributing foreign exchange by "circles" was abolished. While in the past exchange allocations had normally not been made before the middle of the year for which they were made, allocations for 1960 were made by the middle of 1959. In July 1960, the requirement for advance approval for the import of equipment and parts thereof was also abolished.

13. Other developments include a recommendation to the competent authorities by the Administrative Council of the Yugoslav Government to ease the requirements to be met by firms before they can be registered as foreign trade enterprises. This registration is a pre-requisite in Yugoslavia for engaging in foreign trade.

(c) The present import and payments control system

14. The determination of the shares of foreign exchange to be made available to different sectors of the economy rests primarily with the Federal Committee for Foreign Trade which, in co-operation with other governmental agencies, establishes a programme of imports and exports in accordance with the objectives of the Federal Social Plan. In determining these shares the Planning Institute estimates the foreign exchange availabilities on the basis of domestic production and consumption data and other relevant information such as changes in domestic and foreign market conditions, foreign credit facilities, etc. Once the relative shares of foreign exchange to be allocated to the different sectors of the economy are determined, the available foreign exchange is distributed by the National Bank to the different enterprises on the basis of their imports in a previous year, taking into account possible changes in their production. Thereafter enterprises are free to use their funds without further intervention subject only to the general limitations noted above.

15. All economic organizations wishing to enter into foreign trade and to import must be registered on the Foreign Trade Register, and the amount of their imports is determined by the allocation of foreign exchange for a particular year in the manner described above.

16. In general, the authorized foreign trade economic organizations may import without special import licences. Import licences are required for passenger cars with an engine capacity exceeding 2,000 cubic centimetres, as well as for loading and special road motor vehicles, buses, trolleybuses, trailers thereof and chassis. Institutions, social organizations and economic organizations not on the Foreign Trade Register may also effect individual imports, for their own needs, if they obtain special authorization which is granted on an ad hoc basis. The issue of an import licence is not connected with the delivery of foreign exchange by the National Bank, and the importer must arrange to obtain the necessary foreign exchange either at a session of the exchange market or by any other means provided for by the regulations.

17. Payments for practically all imports are made with exchange acquired at the settlement rates from the National Bank, the Yugoslav Foreign Trade Bank, or, for imports for investment projects, the Yugoslav Investment Bank. Import co-efficients are applied to most goods at the time of import.

18. As a result of contractual obligations arising for Yugoslavia under bilateral agreements, firms may find their freedom to choose among sources of supply sometimes limited. Out of a total of some sixty trade and payments agreements to which Yugoslavia is a partner, almost half provide for bilateral clearing and a number of agreements provide for barter transactions. Thus, although the Government does not normally prescribe specified sources of supply, the need to make use of import facilities under clearing accounts does place a limitation on the choice of sources of supply. In fact payments are made according to the method or channel of payment provided for in the payments agreement with the country concerned. Yugoslavia has payments agreements requiring settlements through bilateral clearing accounts (1) in United States dollars: with Albania, Afghanistan, Austria, Brazil, Bulgaria, Cambodia, Chile, Czechoslovakia, Finland, Eastern Germany, Greece, Hungary, Israel, Mongolia, Poland, Rumania, Spain, Tunisia, Turkey, the USSR, and Uruguay; (2) in sterling: with Burma and mainland China; and (3) in their respective currencies: with France, India, Iraq, the Sudan, Switzerland and the United Arab Republic (Egyptian Region). A certain degree of multilateralization with other currencies is provided in the agreements with Austria, France, Greece, Iraq, Switzerland and Turkey. Payments agreements on a multilateral basis with Belgium-Luxemburg, Denmark, the Federal Republic of Germany, Italy, the Netherlands, Norway and Sweden provide for settlements in the currencies of any of those countries. A trade agreement with Morocco provides for settlements through the Franco-Yugoslav clearing account. If no agreement exists, settlement is usually made in United States or Canadian dollars, sterling, Swiss francs, or any other convertible currency.

19. Compensation arrangements with foreign countries are permitted only as an exception and subject to approval by the Committee for Foreign Trade. Approval is given only if the export or import of the products concerned

cannot be made through normal commercial channels and provided further that the compensation arrangement permits the importer or exporter to buy or sell goods on especially favourable conditions, or contributes to the creation of stable economic ties between Yugoslavia and a foreign country, or facilitates the import of goods not manufactured in Yugoslavia and of benefit to the national economy, or makes it possible to trade with countries with which Yugoslavia does not have trade agreements. Within fifteen days of the notification of the approval, an application to register the compensation arrangement must be submitted to the National Bank. The agency carrying out the arrangement must then make a deposit in dinars equivalent to 5 per cent of the value of the proposed export. The deposit is forfeited if the arrangement is not carried through in accordance with the conditions stipulated.

II. Application of GATT provisions by the other signatories to the Declaration with respect to Yugoslavia

20. The following thirty-one contracting parties and associated governments have accepted the Declaration:

Australia	France	Norway
Austria	Ghana	Peru
Belgium	Greece	Federation of Rhodesia and Nyasaland
Brazil	India	Sweden
Burma	Indonesia	Turkey
Canada	Israel	United Kingdom of Great Britain and Northern Ireland
Ceylon	Italy	United States of America
Chile	Japan	Uruguay
Czechoslovakia	Luxemburg	Yugoslavia
Denmark	Kingdom of the Netherlands	
Finland	New Zealand	

21. For purposes of the review the secretariat invited the CONTRACTING PARTIES to supply information on the extent to which they apply to Yugoslavia the provisions of the General Agreement in the manner envisaged in paragraph 1 of section B of the Declaration. Specifically, they were asked in what manner customs tariffs and the other commercial policy measures (e.g. quantitative import and export restrictions) were being applied in their trade with Yugoslavia. To date replies to this inquiry have been received from fourteen governments. The substantive passage in their communications are quoted below.

Australia

"Australia accords most-favoured-nation tariff and import licensing treatment to Yugoslavia on a de facto basis. In regard to other aspects of its trade relations with Yugoslavia, it is necessary for Australia to take into account the fact that Yugoslavia maintains a system of State trade. Australia therefore retains discretion as to the criteria to be applied in connexion with the administration of anti-dumping and countervailing measures."

Canada

"Canada extends most-favoured-nation tariff treatment to imports from Yugoslavia under the terms of the 1927 Treaty of Commerce and Navigation between the United Kingdom and Yugoslavia, the trade clause of which is effective for Canada. No quantitative restrictions are applied by Canada on goods imported from Yugoslavia."

Czechoslovakia

"Czechoslovakia is applying the provisions of the Declaration and is granting Yugoslavia most-favoured-nation treatment in regard to tariffs and all regulations concerning imports."

Finland

"The trade relations between Finland and Yugoslavia are based upon a Temporary Commercial Agreement of 14 September 1929, the validity of which has been later several times prolonged by additional Protocols and reciprocal exchange of verbal notes.

"1. Customs tariff measures applied by Finland to Yugoslavian imports. Pursuant to the provisions of the Agreement of 1929 commodities imported from Yugoslavia enjoy most-favoured-nation treatment.

"2. Other commercial policy measures. The exchange of goods is based upon commodity lists on yearly quota basis. As regards the licensing treatment, both automatic licensing and discretionary licensing are applied to imports from Yugoslavia. Under Government Decisions of 17 December 1957, and 10 April 1958, automatic licensing is applied to a number of commodities imported from countries, with which Finland has concluded bilateral commercial agreements, e.g. Yugoslavia. The import licence for commodities enumerated in the list annexed to the Decisions mentioned above, are granted automatically, i.e. no individual consideration will take place. It has been stipulated, however, that automatic licensing is applicable only when bilateral commercial agreements operate normally, e.g. that their implementation is not hampered by an unbalance of exchange. The country of purchase and the country of origin must also be the same."

Greece

"Greece applies to Yugoslavia the same customs tariff and the same formalities relating to imports and exports as to all other countries."

India

"India's trade with Yugoslavia is regulated on the basis of a trade and payments agreement with that country. The current agreement was signed on 22 January 1960 and will remain valid for a period of three years. A copy of this agreement is attached.

"2. India is not giving any special tariff treatment or advantages to Yugoslav trade. Imports from Yugoslavia are subject to the import control policy of the Government of India as in force from time to time and are charged to duty at the standard rate of the Indian customs tariff."

Israel

"A non-discriminatory most-favoured-nation treatment in respect of customs duties and commercial policy measures is applied by Israel in its trade relations with the Federal Republic of Yugoslavia."

Italy

"Italy applies to Yugoslav products the same customs duties it applies to all countries enjoying most-favoured-nation treatment. As regards import restrictions, Italy applies to Yugoslavia a particularly liberal regime. In effect, an important range of products is liberalized; a limited number of items are admitted within the limit of quotas which are of ample size; only a small number of products are subject to licensing control; for all other products which are not covered by the categories mentioned above, imports are authorized directly by the customs within the limit of ample maximum values (300 million lire for each chapter in the customs tariff and 100 million lire for each item in the tariff)."

Japan

"The Treaty of Commerce and Navigation between Japan and the Federal People's Republic of Yugoslavia was signed on 28 February 1959, and put into effect on 20 July 1959. Under the treaty both parties have undertaken to grant to the other the most-favoured-nation treatment with regard to the tariffs, customs, procedures, internal taxes and restrictions on imports or on exports."

Kingdom of the Netherlands

"In the field of tariffs the Netherlands apply to Yugoslavia the most-favoured-nation clause and accord in the field of quantitative restrictions a non-discriminatory treatment."

New Zealand

"On 9 September 1960 New Zealand concluded an agreement with the Government of Yugoslavia. The agreement provides for the exchange of most-favoured-nation treatment along the lines provided in the General Agreement in connexion with importation, customs duties and charges, quantitative restrictions, exchange action and other matters relating to the import of goods."

Norway

"Yugoslav imports to Norway are treated on a most-favoured-nation basis. As to quantitative import restrictions, Yugoslavia is treated in the same way as OEEC countries. Yugoslavia does not, on the other hand, formally belong to the export free list area, but this fact does not, however, involve an obstacle to Norwegian exports to that country."

United Kingdom

"The United Kingdom extends most-favoured-nation treatment to Yugoslavia on tariffs. With regard to quotas, the United Kingdom extends 'relaxation area' treatment as defined in the 1959 review of import restrictions (MGT(59)76)."

United States

"The United States accords MFN treatment to imports from Yugoslavia. United States customs tariffs and other commercial policy measures are being applied in trade with Yugoslavia in a manner identical to that in which they are applied to GATT contracting parties entitled to most-favoured-nation treatment. There are no special tariff or other general commercial policy measures applicable to imports from Yugoslavia into the United States."

