

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

L/1494/Add.3

1 December 1961

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CONTRACTING PARTIES

Nineteenth Session

TRADE RELATIONS BETWEEN YUGOSLAVIA AND  
CONTRACTING PARTIES

Statement made by the Yugoslav Delegation on  
22 November 1961

The following is the complete text of the statement made by the representative of the Yugoslav delegation at the opening meeting of the Working Party for the Second Annual Review under the Declaration of 25 May 1959.

Under the Declaration regulating relations between Yugoslavia and GATT the purpose of the current consultations is to ascertain to what extent the development of Yugoslavia's trade policy is directed towards creating possibilities for implementing the General Agreement on Tariffs and Trade, to show to what extent the countries signatory to the Agreement apply its provisions in their relations with Yugoslavia and lastly, to make a closer study of any problems that may have arisen.

The consultations this year are doubly important: firstly, it is the second anniversary of the signature of the Declaration and secondly, important changes have occurred in the Yugoslav foreign trade and foreign exchange systems. The economic results attained and the increasingly greater efficiency displayed by economic undertakings in the sphere of self-management have constituted a sound basis for the steady and well-balanced development of the Yugoslav economy. Between 1955 and 1960 the national income rose by 85 per cent. This rise was largely due to industrial expansion which more than offset the slower advance in agriculture. Industry's share in the national product rose from 33 to 45 per cent. These results and the fact that undertakings have to the utmost possible degree been freed from administrative interference, both in the planning sphere and in other spheres, have made it possible, since the beginning of 1961, to introduce changes that represent a big step forward in the fields of foreign trade and foreign exchange, changes that have already been reported by the Yugoslav delegation at earlier consultations.

May I briefly refer to a few of these more important new measures. There is, first, the introduction of a provisional, but complete, customs tariff. Hitherto, the customs tariff was usually applied only to non-commercial imports made by private individuals and it is only since the second half of last year that a start has been made in applying customs tariffs to commercial imports. At that time the customs tariff applied, theoretically, to imports of capital goods. (This partial customs tariff was communicated to GATT.) The general customs tariff has been in force since the middle of March this year. The old partial tariff applied to imports of capital goods is included in the new customs tariff.

The tariff in question has been compiled on the basis of the Brussels Nomenclature. The new tariff has two columns, contains about 1,100 items and is based on ad valorem customs duties.

As this is the first time that such an important step has been taken in the Yugoslav economy and as we have had no experience in this field, it has not been possible to make this first general customs tariff permanent immediately. In addition to its importance for the development of the Yugoslav economy, the introduction of this customs tariff represents in itself a big undertaking from the organizational standpoint.

Exports are free of all restrictions, except for a small number of products in short supply on the home market. For this reason, and in order to satisfy the country's requirements, it has been felt advisable to go on applying quantitative restrictions to such products. It should, however, be pointed out that the number of such products has fallen and has been cut to a minimum as compared with previous years. Exports are not liable to customs duty.

The next important change is the start made in the process of gradually liberalizing Yugoslav imports. Although the initial results thus obtained are relatively slight, it cannot be overlooked that at this moment 30 per cent of Yugoslavia's imports for 1961 are in fact completely liberalized. If we remember that, up to now, all Yugoslav imports were actually subject to restrictions of one kind or another, this represents a big step forward and one which is already having repercussions on the expansion of foreign trade and the operations of Yugoslav economic organizations.

The new import system has introduced, as a separate category, a schedule of liberalized imports and also other categories of more liberal import procedures, such as liberal import licences and general licences. Imports under quota and imports made under restrictive import licences constitute import categories of a restrictive character. It should, however, be pointed out that less than 1 per cent of Yugoslavia's imports are subject to restrictive import licences.

The transition to a single exchange rate represents an important change as compared with the complicated machinery of multiple exchange rates, known as "coefficients", which operated in Yugoslavia until this year. The fact that a temporary system in the form of export premiums for certain products has been introduced for the transitional period in order to enable undertakings which have to adjust themselves to the single rate to overcome the difficulties that inevitably emerge during their operation, does not detract from the importance of this change. This will, consequently, help to integrate, more economically than in past years, the national economy of Yugoslavia into the world economy and into the international distribution of labour.

As some of the measures adopted came into force only towards the end of the first quarter of 1961, we have no very detailed data yet about their effects. The provisional figures available show that Yugoslav exports have, in the first half of 1961, risen by 4.3 per cent as compared with the same period in 1960, whereas imports have fallen by 2.9 per cent. Exports to GATT countries, however, rose by only 2.5 per cent, while imports were 10.7 per cent higher, which is certainly partly due to the liberalization measures taken. True, the balance of payments is still deficitary but we hope gradually to eliminate the deficit by achieving a higher level of foreign trade as a result of more intensive activity in the economic and foreign trade fields. The time that has elapsed since the entry into force of the measures adopted is still too short to be able to draw sounder

conclusions. Exact figures showing the effects of the provisional customs tariff are also lacking. We have only the first incomplete figures showing the average rate of customs duty levied. Computed on the basis of the value of imports between April and August 1961, this rate works out at 17.3 per cent but can be considered only as giving a general idea of the customs duties levied, since it represents the ratio between the customs duties charged and the value of the imports actually made over a short period; it makes no allowance for the structure which changes not only from year to year but also over periods in the same year. The process of further liberalization of imports and the abolition of the restrictions still maintained under the present system will depend on the state of the balance of payments, this being the final factor determining the rate of the process.

As already stated, the process of the liberalization of foreign trade and of the changes in the foreign exchange system has been facilitated by the boom in Yugoslavia's economy in recent years; the process should also ensure the further steady and well-balanced development of the economy. During the transition to the new measures it has been found, as was reported last year, that our resources were not adequate to cope with all our requirements, so that additional resources had to be obtained from abroad. Although the funds received from abroad in the form of credits for facilitating implementation of the reform were substantial, they were not entirely sufficient, either in volume or in structure, to cover requirements, particularly if one bears in mind the general trend towards increased imports as the logical result of the marked economic activity that has been a feature of Yugoslavia's economic development of recent years.

A study of the initial results of the changes made, including the effects of the new customs tariff, is being made after which consideration will be given to the steps that can be taken under present circumstances to encourage the further development of the system, but only inside the general lines on which the reform is based. The rate of this further development will, of course, depend on concrete material circumstances. As regards the provisional exceptions to the single exchange rate that are made in the case of tourism, I might emphasize the fact that the requisite steps have already been decided on and that from next year onwards the exchange rate hitherto applied to foreigners will be standardized at the level of the single exchange rate, that is 750 dinars for one U.S. dollar, which will help to do away with the last vestiges of the multiple exchange rates formerly applied to transactions with foreign countries.

Before concluding, I would like to make a brief reference to the problems inherent in the reciprocal nature of these consultations. In the first place, I would stress the importance which we attach to the information supplied by contracting parties signatories to the Declaration of 25 May 1959 and listed in the Annex to document L/1594. I venture to hope that the countries, which have not yet done so, will find it possible to supply the same type of information.

In this connexion may I add a few more remarks. The information shown in the Annex to document L/1594 is too summary and too general in character for exact conclusions to be drawn from it. I have the feeling, however, that the actual situation is more complicated, more especially in the case of countries which are traditionally the biggest export markets for both our industrial and our agricultural products. Accordingly, I think that it would not be the appropriate moment, during these current consultations, to make an overall and more concrete study of the application of the Declaration, but that it would be better to do this next year. Next year will be the third year in which the Declaration will be operative and, before the CONTRACTING PARTIES decide about its future, a more thorough study will have to be made of the situation it has created.