

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ACCESSION OF YUGOSLAVIA

### Opening Statement made by the Yugoslav Representative at the Working Party on 3 November 1965

May I in the first place express my thanks to you and to all members represented in this Working Group for their interest and the readiness to consider questions relative to the accession of my country to GATT. At the same time I should like to express by your intermediary my thanks to the Director-General of GATT, Mr. Eric Wyndham White and the Deputy Director-General, Mr. Finn Gundelach, as well as to the secretariat who engaged themselves in the preparatory work and the organization of this meeting.

I would first point out, although it is a known fact, that the intention of my Government to accede to GATT is not new and therefore, I am sure, does not come as a surprise to you. This intention is a logical sequence of the co-operation of Yugoslavia with GATT over a long period of time and of its efforts to contribute within the limits of its possibilities to the attainment of the general objectives of GATT. On the other hand, this co-operation has been in conformity with the needs of the Yugoslav economic development and in line with its policy. We consider that international trade and accelerated development through better inclusion in the world market constitute the best way for the promotion of economic relations of world economy and international trade.

I would now give a brief survey of the development of our relations with GATT.

Desiring to establish the closest possible co-operation with the institutions whose activities are directed towards the reaching of the aforementioned objectives, Yugoslavia has taken part long before the formal co-operation in the work of GATT through its observers. Thus, we followed the activities and my Government endeavoured to improve its foreign trade system in order to create the

best possible conditions for the advancement of foreign trade, making use at the same time of the positive experiences of GATT. In 1959 the formal co-operation with the contracting parties was established, a co-operation which, in our opinion, has shown to be of mutual advantage. At that time a system of multiple exchange rates was applied in Yugoslavia and no customs tariff existed.

The foreign exchange reform in 1961 created conditions for further promotion of co-operation of my country with GATT. For this reason, in 1962 my Government applied for provisional accession of Yugoslavia to GATT. Considering this request and after an overall examination of the Yugoslav foreign trade system and other aspects of the Yugoslav economic system the CONTRACTING PARTIES were able to ascertain that in its foreign policy Yugoslavia reached the stage where it can fulfil the provisions of GATT. Consequently, the Declaration on the Provisional Accession to GATT was adopted and it remains in force until the end of 1965. May I add that the full accession was not possible mainly because there was no permanent tariff at that time.

Since then, the Yugoslav foreign trade system has been further improved and measures have been taken in order to liberalize further the exchange of goods and services. In this context, a series of measures taken within the framework of the July economic reform is of particular importance.

I have no intention to deal in detail with the various aspects of economic development and the foreign trade system, but I would only point to a few important features of this development.

During the whole post-war period Yugoslavia has made great efforts towards more intensive investments in practically all fields of the economy and especially in industry. A great portion of the national income was directed to the investment in fixed and working capital.

Within the last few years, the efforts to consolidate the results achieved and to remove disproportions in the development of economy have been particularly marked. These disproportions were the consequence of a dynamic process of accelerated economic growth.

Certain measures were already taken to this effect within the foreign exchange reform of 1961. Within these measures, the system of multiple exchange rates, in the form of export and import coefficients, was abolished and a uniform exchange rate was introduced. At the same time, for the first time in the post-war period, a customs tariff, although a provisional one, was introduced; besides, about 20 per cent of Yugoslav imports were liberalized.

In order to ensure the adjustment of the economy to new conditions exports subsidies were introduced this same year as a provisional measure.

By the introduction of the uniform rate and the customs tariff, and by introducing other measures positive results have been attained in the economic development in the period 1961-1964. Thus, during this period, social product expressed in real terms has increased by about 30 per cent, personal income in real terms by 23 per cent, while exports increased by 57 per cent and imports by 45 per cent.

Measures taken within the past four-year period have yielded positive results. Meanwhile the development of Yugoslav economy has reached a level which enables an even more intensive inclusion in the international division of labour. This is supposed to result in an increase of the volume of Yugoslav foreign trade, both as regards exports and imports.

The most important objectives of the July economic reform as mentioned in the memorandum circulated for this meeting, are the following:

- creation of conditions for faster development of those economic activities which were lagging behind the average rate of growth;
- reduction of price distortions in order to approach the level of prices in the world market;
- further liberalization of foreign trade system;
- improvement of the banking and credit mechanism;
- creation of conditions for a better inclusion in the international division of labour;
- creation of an adequate level of monetary reserves, and
- improvement in the balance-of-payments situation.

I would not like to repeat what was already said in the memorandum and other documents submitted to the CONTRACTING PARTIES about these problems. Some of them were already discussed at the balance-of-payments consultations last week.

In its essence, the economic reform consists of two groups of measures forming a rounded set of measures. I am mentioning two groups only to facilitate their better interpretation, although they make an indivisible whole. The first group refers more to the foreign trade régime and the second group is intended to ensure more harmonious internal relations in the economy. I would like to underline that the first group of measures has an importance for the Yugoslav market and our internal relations and, as well as the second group, is not without influence on our foreign trade.

The new par value should be mentioned in the first place among measures of the first group. These made possible the elimination of export subsidies which were in force under the old system, as already mentioned.

Within the first group, of particular importance is the permanent customs tariff, intended to be the sole instrument for the protection of domestic production.

Besides the introduction of lower tariff rates, measures were also taken or are to be taken, to free from quantitative restrictions, to the greatest possible extent, imports of raw material and spare parts. Other imports, that is to say, those that are not liberalized, and the imports of reproduction materials and consumer goods will be effected within global quotas. A liberal policy will be applied to the import of equipment.

I should like to take this opportunity to reaffirm that the application of global quotas will depend on the balance-of-payments possibilities of my country. For the time being, the deficit of the balance of payments and a relatively low level of monetary reserves, in spite of the rather high level of liberalization (this was explained in more detail during the balance-of-payments consultations), do not permit the introduction of full liberalization of imports. However, on behalf of my Government, I would reiterate the assurances that pari passu with the improvement in the balance-of-payments situation, the residual foreign exchange restrictions and certain restrictions on invisibles will be gradually removed.

The second group of measures of the economic reform consists of those measures which aim to ensure more harmonious relations within the economy. This group, of course, makes a whole with the first group. I would like to comment on some of them.

Consumption, including investment, budgetary and personal, will be kept within the limits not to impair economic stability.

Sounder relationship between agricultural, raw material and services prices and the prices of manufactured products is being established. This will contribute to the redistribution of resources in favour of those activities that have been lagging behind the average rate of growth during the past period of development. At the same time, market criteria will facilitate to a greater extent an accelerated development of the most productive activities and enterprises.

A further decentralization of the economic decision-making is being carried out in the field of investments also. To this effect, various funds at the disposal of administrative organs have been abolished. The instruments of the fiscal policy have also been changed. Within the context of all these measures, enterprises dispose now over a greater portion of their revenues so that they may decide themselves and over their use.

It is not necessary to stress the importance of the already mentioned measures for the strengthening of economic independence of enterprises. Under the previous system, although an enterprise was legally and economically independent, concentration of resources for investments and other purposes was performed by fiscal measures. Thus, resources were accumulated within various representative organs of the Federation, the republics and communes, and were kept in their investment funds. Final decisions on the use of these funds for investment purposes and other interventions in the economy (refunds, subsidies and other) were taken by these organs.

According to the new measures, however, a considerably greater portion of their revenue is left to the enterprises in order to enable them to create a greater material basis for their own further development, depending on the productivity of labour and market conditions for sales of products in internal and foreign markets.

Thus, without recourse to various forms of subsidies, enterprises have become economically more independent and fit for better inclusion in the foreign trade.

An essential part of the economic reform is the strengthening of the rôle of market criteria in the internal market and the gradual reduction of various forms of price control. Market criteria are according to the reform the most important factor in price formation.

Within the framework of these changes, the rôle of the banks was also changed and the banking system is to be adjusted to the redistribution of resources. The new banking system should play an important rôle in attracting and investing funds that are at the disposal of enterprises. The concentration of funds will no longer be made through fiscal measures, but primarily through free business relations between enterprises and banks, based on mutual economic interest.

The new banking system provides for the extension of the operations of banks to the whole territory of Yugoslavia, as in contrast to the earlier system, which limited certain banks to individual regions.

In this context, particular importance in the credit and monetary field is also attached to the interest rate whose rôle becomes more and more important.

Taken as a whole, all these measures are conceived to have a long-term effect on the development of the economy under stable conditions. They are also to facilitate the inclusion on a broader scale in the international division of labour.

In conclusion, I would like to say that the progress achieved in the development of the economic system and particularly the introduction of the permanent customs tariff constitute, in our opinion, the necessary pre-conditions for the full accession of Yugoslavia to the General Agreement.

I would like to express the hope of my Government that the above measures contributing to the further liberalization and expansion of foreign trade will meet full support of the CONTRACTING PARTIES and that the work initiated today will be continued in an atmosphere of constructive co-operation and understanding.