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TARIFFS AND TRADE

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Notifications Pursuant to Article XVI:1

YUGOSLAVIA

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

I. DRAWBACK OF CUSTOMS AND OTHER CHARGES

1. Nature and Extent of Subsidy

a) Background and Authority

The Law on Exchange of goods and Services with Foreign Countries (Official Gazette of the SFR of Yugoslavia Nos. 66/85, 38/86 and 67/86), Article 82, stipulates the following export incentives: real value of the dinar exchange rate; development policy; drawback of customs and other charges; credit and monetary policy and other economic policy measures.

In order to implement the policy aimed at strengthening foreign economic relations, the Social Plan of Yugoslavia for the 1986-1990 period stipulates that exports shall be stimulated, inter alia by:

- Drawback of customs and other import charges;
- Drawback of a portion of freight charges on foreign lines;
- A special incentive will be given for exports of agricultural products and foodstuffs.

The mechanism of drawback of customs and other charges was elaborated in greater detail in the Decision on the Drawback of Customs and Other Import Charges and other Exports Promotion Measures (Official Gazette of the SFR of Yugoslavia Nos. 73/85, 20/86, 34/86, 44/86, 54/86 and 71/86).

b) Incidence

On the basis of the Decision on Drawback of Customs and Other Import Charges and other Export Promotion Measures, organizations of associated labour exporting Yugoslav made products shall enjoy the right to drawback of customs duties and other charges.

Furthermore, organizations of associated labour exporters, importers and other interested organizations shall have the right to pool resources and establish special export promotion funds.

In addition, it has been foreseen that those organizations of associated labour whose joint development, production and export programmes envisage significant exports on long-term basis, shall be supported by corresponding development and economic policy measures, primarily if they export to convertible currency area and if their export performance results in net foreign exchange earnings. (Decision on Specific Elements to be Covered by Joint Programmes for the Promotion of the Export Oriented Production of Goods and Services; Official Gazette of the SFRY No. 46/86).

Decision on drawback of customs and other charges and other export promotion measures stipulates the following:

- drawback of customs and other import charges according to rates established for each branch of the economy;

- drawback of 10 or 20 per cent of freight charges, depending on the distance involved; *)

- drawback of a portion of outlays incurred for promotion of tourism and commercial advertising abroad;

- special drawback through agro-industrial funds for the export of goods from the export programmes of those funds. Incentives are, as a rule, given pursuant to the regulations of the said funds. Amounts for incentives for individual funds are determined as percentage of the dinar countervalue of its members' export:

Name of the Fund	Rate of special drawback
1. Fund for the Promotion of Production and Marketing of Livestock and Livestock Products	31.40
2. Fund for the Promotion of Export of Fish, Fish Products and for the Development of Maritime Fishing	26.24
3. Fund for the Promotion of Production and Export of Wine and Other Alcoholic Beverages	30.33
4. Fund for the Promotion of Foreign Trade in Tobacco and Tobacco Products	26.24
5. Fund for Hops	13.32
6. Fund for Cereal and Cereal Products Export Incentives	12.73
7. Fruit and Vegetables Fund	24.40
8. Fund for the Promotion of Production and Marketing of Products of the Sugar Industry of Yugoslavia	12.22

*) Manufacturers exporting to North, Central and South American Countries on the Atlantic Coast, West African countries, developing Mediterranean countries, Scandinavian countries, West European Countries and Malta, are entitled to a drawback of 10 per cent of their freight charges.

Manufacturers exporting to North, Central and South American Pacific countries, East African countries, Asian countries, Japan, Australia and New Zealand are entitled to a 20 per cent drawback of their freight charges.

c) Amount of Subsidy

The Law on Determining revenues of the Federation, which are earmarked to the promotion of foreign trade relations in 1987 (Official Gazette of the SFRY, No. 71/86) stipulates that 45,93% of revenues from customs and other import charges, as well as the total revenues from special charges collected on import of certain agricultural products and foodstuffs, are allocated for drawback of customs and other charges to exporting organizations of associated labour.

From the proceeds from customs and other import charges, 45,93 per cent against each payment is transferred to a special account of the Federal Secretariat for Finance. All revenues from special charges on import of agricultural products and foodstuffs are also transferred to the same account. *) In addition, 0,70 per cent of the revenues from customs and other import charges are transferred to the special account of the Chamber of Economy for general economic advertising (54,43 per cent) and for the tourist-informative advertising activities abroad (45,47 per cent).

d) Estimated Amount per Unit

The amount of drawback of customs and other import charges constitutes a percentage of foreign exchange earnings by economic activity, as follows:

*) So collected fund serves for financing the drawback of customs and other import charges as well as the special incentives for promoting export of agricultural and foodstuff products.

ECONOMIC ACTIVITY	RATE OF DRAWBACK OF CUSTOMS AND OTHER IMPORT CHARGES
1	2
1. Power Industry	1.33
2. Extraction of coal	1.95
3. Coal Processing	2.04
4. Crude oil production	4.36
5. Natural gas production	6.44
6. Production of oil derivatives	1.21
7. Iron ore mining	1.56
8. Iron and steel production	2.30
9. Production of ferroalloys	2.58
10. Copper mining and production	2.23
11. Lead and zinc mining and production	1.87
12. Bauxite production	1.63
13. Non-ferrous ore mining and metal industries	2.02
14. Copper production	1.69
15. Lead production	0.96
16. Zinc production	1.81
17. Alumina and aluminium production	5.46
18. Production of other non-ferrous metals	2.67
19. Aluminium refining	3.35
20. Processing of copper and other non-ferrous metals	1.73
21. Extraction of non-metallic minerals (salt-free)	2.15
22. Salt production	1.66
23. Glass production	2.30
24. Production of fireproof materials	2.20
25. Production of porcelain and ceramics	3.81
26. Manufacture of other non-metallic mineral products	2.04
27. Production of metal intermediary products	0.92

1	2
28. Steel structures for construction and other industries	1.54
29. Production of consumer goods and other metal products	7.32
30. Manufacture of machinery and accessories (excluding electric and agricultural)	2.47
31. Manufacture of agricultural machinery	3.68
32. Manufacture of equipment for professional and scientific purposes, measurement and control instruments and automatic control devices	1.25
33. Manufacture and maintenance of rolling stock	1.55
34. Manufacture of road vehicles	4.86
35. Manufacture of air transportation means	2.70
36. Manufacture of other means of transportation	2.70
37. Shipbuilding	4.69
38. Manufacture of electric machines and accessories	5.18
39. Manufacture of electronic and telecommunication devices	3.87
40. Production of cables and conductors	2.77
41. Manufacture of electric household appliances	4.88
42. Manufacture of other electric equipment	4.74
43. Production of chemicals (except those for agriculture)	3.99
44. Production of chemicals for agriculture	4.81
45. Production of man-made fibres and plastic materials	2.79
46. Production of medicaments and pharmaceutical products	4.17
47. Production of soaps, detergents and cosmetics	2.94

1	2
48. Production of paints and varnishes	4.39
49. Processing of plastic materials	4.24
50. Production of other chemical products	12.31
51. Production of stone, gravel and sand	0.48
52. Production of lime and gypsum	0.77
53. Production of cement	4.22
54. Production of bricks and tiles	0.77
55. Production of prefabricated building components and bitumenous products	0.66
56. Production of sawnwood and boards	1.39
57. Manufacture of wooden furniture	1.53
58. Manufacture of other wooden final products	2.01
59. Manufacture of paper and cellulose	5.14
60. Paper processing	1.91
61. Manufacture of fibre, yarn and thread	3.31
62. Manufacture of textiles	2.41
63. Manufacture of knitwear	1.04
64. Manufacture of textile garments	2.68
65. Manufacture of other textile products	13.67
66. Production of leather and furs	4.24
67. Manufacture of leather footwear	2.23
68. Manufacture of leather goods	2.43
69. Manufacture of leather and fur garments	1.55
70. Rubber processing	4.99
71. Cereal grinding and husking	0.44
72. Bread and pasta production	0.58
73. Processing and canning of fruit and vegetables	0.86
74. Processing and canning of meat and fish	1.05
75. Processing and canning of milk	0.72
76. Sugar refining	3.44
77. Confectionery products	2.28

1	2
78. Production of vegetable oils and fats	2.66
79. Production of other food products (cattle feed excluded)	6.92
80. Production of vegetable-origin alcohol and alcoholic beverages	0.90
81. Production of non-alcoholic beverages	2.59
82. Production of cattle feed	2.25
83. Production of fermented tobacco	0.23
84. Tobacco processing	3.10
85. Printing industry	3.22
86. Treating, processing and production of raw materials from iron, steel, non-ferrous and precious metal scraps; non-metallic minerals, paper, textile, rubber, plastics and glass wastes; mineral and other oils, energy fuels, and materials of animal origin	1.98
87. Production of miscellaneous products	5.88
88. Crop production	0.47
89. Fruit production	0.64
90. Viticulture	0.63
91. Livestock production	0.17
92. Fisheries	2.09
93. Forestry	0.28

2. Effects of the Subsidy

a) Estimated Quantitative Trade Effect

It was not possible to make a quantitative estimate of trade effects of the enumerated subsidies.

II. MEDIUM-TERM AND LONG-TERM EXPORT CREDIT FINANCING

Under the Law on the Yugoslav Bank for International Economic Cooperation and Joint Financial Organizations. *) the Yugoslav bank grants additional credits for export of capital goods and the performance of investment projects abroad, carried out by Yugoslav exporters and contractors, wherein they grant credits to foreign buyers and investors. In line with the aforementioned Law, prior to that, commercial banks grant dinar credits to exporters of capital goods and contractors, while the Yugoslav Bank refinances, to a certain amount, the dinar credits, depending on the type and scope of transactions and importing country.

Pursuant to the General Conditions for granting Additional Credits, adopted by the Yugoslav Bank Assembly on 21 March 1985, credits may be granted for the export of equipment, plants, ships and other vessels, construction of complete projects, performance of capital works and investments in own and joint venture enterprises abroad. Furthermore, credits may be granted for keeping goods in consignment warehouses, leasing of equipment and certain pre-investment related activities.

The Yugoslav Bank may grant additional credits for export deals, for whose implementation domestic exporters granted foreign buyers and investors credits, with a repayment period of 2 to 12 years. Depending on the type of export activity and the region, i.e. importing country, Yugoslav Bank approves additional lending of up to 65 to 80 per cent.

*) Official Gazette of the SFRY, No 31/1987.

The Yugoslav Bank secures funds for additional lending by means of pooling resources by its members, exporters of capital goods, from Bank's own revenues, pooling of resources of commercial banks on the basis of self-management agreements, from rediscounting credits of the National Bank of Yugoslavia, etc. The Law on the Yugoslav Bank also stipulates other sources of funds which can be earmarked for these purposes (issue of bonds in Yugoslavia and abroad, credits from banks and other corporate legal persons in Yugoslavia, credits abroad, deposits of corporate legal persons, etc.). The Yugoslav Bank pays interest rates on funds so mobilized, except the pooled resources of its members and the Bank's revenue (Bank's funds), pursuant to market conditions and the regulations in force governing the allocation of these funds.

Depending on the interest rates paid by the Bank on funds mobilized from a number of sources, the Assembly of the Bank sets lending rates on additional credits granted for export deals. These lending rates are lowest for the least developed and developing countries.

The significant increase of interest rates in Yugoslavia over the recent years affected the increase of costs of funds operated by the Yugoslav Bank. This primarily relates to funds pooled by commercial banks on the basis of agreement, as well as resources from rediscount credits of the National Bank of Yugoslavia. Thus, the Yugoslav Bank is forced to increase its lending rates on credits extended for contracted export transactions.

The rise in interest rates affected the number of new export deals, since it increased the cost of export commodities and had a negative impact on the competitiveness of Yugoslav exporters. Interest rate Yugoslav exporters pay on export credits is visibly higher than interest rate on foreign credit arrangements for the export of capital goods and performance of capital works abroad.

III. SHORT-TERM EXPORT FINANCING

1. Nature and extent of the subsidy

a) Background and Authority

The Resolution on the Policy for the Implementation of the Social Plan of Yugoslavia in the 1986-1990 period, (Official Gazette of the SFRY, No. 75/86) stipulates, inter alia, that measures of monetary and credit policies shall be aimed at the realization of the basic targets of economic policy.

Hence, the Decision on the Goals and Objectives of the Money Issue and Monetary Policy and Common Basis of the Credit Policy in 1987 (Official Gazette of the SFRY, Nos. 71/86, 14/87 and 22/87) stipulates the utilization of funds from the primary issue of the National Bank of Yugoslavia for goods and services export promotion.

b) Incidence

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

The Decision on Conditions for the Utilization of Primary Issue in 1987 stipulates the conditions for utilizing sources from primary issue of the National Bank of Yugoslavia for export financing of goods and services (Official Gazette of the SFRY Nos. 71/86, 14/87 and 22/87).

In exporting goods and services against payments in cash:

a) rediscount rate for exports to the convertible currency area is 40 per cent with the repayment period of 60 days,

b) rediscount rate for exports of goods and services to the clearing area is 34 per cent and repayment period is 30 days.

For financing exports on commercial credit terms, the rediscount rate is 33 per cent, and if goods and services are exported against commercial credit to developing countries, the rediscount rate is 44 per cent. In both cases, repayment schedules differ depending on the type of goods:

- for exports of serial equipment: 24 months,
- for exports of durable consumer goods: 24 months,
- for other exports: 6 months.

In credits for financing exports of equipment and ships and foreign investment projects the rediscount rate is 38 per cent with the repayment period of 24 months, if the credits are granted by commercial banks, while the Yugoslav Bank for International Economic Cooperation may use rediscount rate of 40 per cent with the repayment period of 36 months.

For financing the production and preparation of export goods, the rediscount rate is 23 per cent and repayment periods differ, depending on the duration of the technological production process, i.e. the preparation period (3; 6 or 12 months). Rediscount rates for credits used for the financing the preparation for the performance of services for foreign tourists is 23 per cent with the repayment period of 3 months.

For export financing carried out in the framework of joint production and export programmes of certain products or group of products, determined by the Federal Executive Council, the rediscount rate is 40 per cent with the repayment period of 60 days. For financing production programmes carried out in the framework of joint production

and export programmes of certain products, or group of products, the rediscount rate is 40 per cent if the repayment period is 20 days and 35 per cent if the repayment period is 30 days and 23 per cent if the repayment period is over 30 days.

In case of credits approved for financing claims from the International Bank for Reconstruction and Development (IBRD), paid and effected against works or equipment built-in according to investment programmes in Yugoslavia partially financed from IBRD lendings, the rediscount rate is 44 per cent, with the repayment period of 3 months.

For financing production and preparation of production for export as per contracted deals against payments in cash and financed by the International Bank for Reconstruction and Development, its affiliation or the EUROFIMA, the rediscount rate is 27 per cent provided that repayment period of granted credits does not exceed 2 years.

c) Amount of Subsidy

The Decision on the Attainment of the Money Issue and Monetary Policy Goals and Objectives in 1987 (Official Gazette of the SFR of Yugoslavia, No. 71/86 and 14/87) stipulates that 106,0 billion dinars from primary issue shall be earmarked for export of goods and services incentives for the first quarter of the current year - (in 1984, it amounted to 217.601 billion and in 1985, to 301.233 billion dinars and in 1986, to 389,933).

Rates of interest charged on export credits from primary issue were as follows:

up to 1 January 1987: 61 per cent

1 April onwards 1987: 81 per cent.

d) Estimated amount per Unit

Due to the nature of the subsidy it was not possible to make an estimate of the amount per unit.

2. Effects of the Subsidy

a) Estimated Quantitative Trade Effects

It is not possible to make an estimate of the quantitative trade effects of the aforementioned subsidies.