

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6297/Add.5

20 July 1988

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

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, 43/87 and 87/87), 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 No 34/88).

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 5 or 15 per cent of freight charges, depending on the distance involved;*)

*) 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 5 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 15 per cent drawback of their freight charges.

- drawback of a portion of outlays incurred for promotion of tourism insuarey 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	31.50
2. Fund for the Promotion of Export of Fish, Fish Products and for the Development of Maritime Fishing	26,00
3. Fund for the Promotion of Production and Export of Wine and Other Alcoholic Beverages	30.50
4. Fund for the Promotion of Foreign Trade in Tobacco and Tobacco Products	26.00
5. Fund for Hops	13.50
6. Fund for Cereal and Cereal Products Export Incentives	13.00
7. Fruit and Vegetables Fund	24.50
8. Fund for the Promotion of Production and Marketing of Products of the Sugar Industry of Yugoslavia	12.00

c) Amount of Subsidy

The Law on Determining revenues of the Federation, which are earmarked to the promotion of foreign trade relations in 1988 (Official Gazette of the SFRY, No 10/88) stipulates that 45,93 per cent 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 in 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 Foreign Economic Relations. All revenues from special charges on import of agricultural products and foodstuffs are also transferred to the same account.*) In addition, 0,66 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 (36.29 per cent) and for the tourist-informative advertising activities abroad (63,71 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	1.85
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 pro- duction	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	2.13
18. Production of other non-ferrous me- tals	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 cera- mics	3.81

1	2
26. Manufacture of other non-metallic mineral products	2.04
27. Production of metal intermediary products	0.92
28. Steel structures for construction and other industries	1.54
29. Production of consumer goods and other metal products	4.69
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	4.46
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

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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
48. Production of paints and varnishes	4.39
49. Processing of plastic materials	4.24
50. Production of other chemical products	4.92
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	1.74
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	4.77
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

1	2
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
78. Production of vegetable oils and fats	2.66
79. Production of other food products (cattle feed excluded)	3.40
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	1.95
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

The Yugoslav Bank for International Economic Cooperation was established in 1980 as legal successor to the Export Credit and Insurance Fund, which performed export credit and insurance operations since 1968. The Yugoslav Bank is the official export credit and insurance agency now operating under new Law of June 1987*/. The Bank's membership counts over 180 major capital goods exporters of Yugoslavia.

Under the new Law, the Yugoslav Bank refinances export credit facilities granted by commercial banks for exports of capital goods and overseas investments, carried out by Yugoslav exporters and contractors. The exporters' credits to foreign buyers which Yugoslav Bank refinances are denominated in foreign currency and bear the interest rates close to the OECD Consensus Terms. According to the Law, commercial banks grant export credits denominated in dinars to Yugoslav exporters and contractors, while Yugoslav Bank refinances to the certain amount the credits from commercial banks, also in dinars. The terms and amounts of the Yugoslav Bank's credits depend on the type and scope of transactions and the importing country.

The Yugoslav Bank refinances the construction of overseas capital projects, construction of complete plant, generating, industrial and other plants, the export of mass produced equipment and machinery made to order, ships and other vessels and investments into own or joint stock companies abroad. Furthermore, credits may be granted for keeping goods in consignment warehouses, leasing of equipment, exploration studies, design and other pre-investment activities.

Repayment periods for credits extended by the Yugoslav Bank are from 2 to 12 years. Depending on the type of export activities and the region, i.e. importing country, Yugoslav Bank refinances 65 to 80 per cent of the export credits granted by commercial banks.

*/ The Law on the Yugoslav Bank for International Economic Cooperation, Official Gazette of the SFRY, No 37/1987

According to the new Law, direct buyer credits could also be extended in addition to the supplier credits.

The Yugoslav Bank obtains funds for its activities mainly from the commercial banks under a pool agreement, from its own revenues, from membership fees and from rediscounting credits of the National Bank of Yugoslavia.

The Law on the Yugoslav Bank also stipulates other sources of funds which can be earmarked for these purposes such as: issue of bonds in Yugoslavia and abroad, credits from banks and other corporate legal persons in Yugoslavia, credits abroad, deposits of foreign legal persons, etc. The Yugoslav Bank pays interest rates on funds so mobilized, except the membership fees and the Bank's revenues, pursuant to market conditions and the regulations governing the allocation of these funds.

The Assembly of the Yugoslav Bank sets the interest rates on the Bank loans depending on the interest rates paid by the Bank on the funds mobilized from other sources. The interest rates for the least developed countries are lower.

The significant increase of interest rates in Yugoslavia over the recent years caused the increase of cost of funds operated by the Yugoslav Bank. This is primarily related to the funds pooled by commercial banks and the borrowings from the National Bank of Yugoslavia. Thus, the Yugoslav Bank is forced to increase its interest rates on the loans extended for export transactions.

The rise in interest rates affected the number of new export deals, since it increased the costs of export commodities and had the negative impact on the competitiveness of Yugoslav exporters. The foreign buyer's interest payment is inadequate to produce dinars sufficient to meet the Yugoslav bank loan interest, so that the exporter has to pay the difference.

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 1988 (Official Gazette of the SFRY, No. 87/87 and 31/88) 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 1988 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. 19/88, 22/88, and 35/88).

In exporting goods and services against payments in cash:

a) rediscount rate for exports to the convertible currency area is 28 per cent with the repayment period of 60 days.

b) rediscount rate for exports of goods and services to the clearing area is 24 per cent and repayment period is 30 days.

For financing exports on commercial credit terms, the rediscount rate is 23 per cent, and if goods and services are exported against commercial credit to developing countries, the rediscount rate is 31 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: 18 months,

- for other exports: 6 months.

In credits for financing exports of equipment and ships and foreign investment projects the rediscount rate is 27 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 90 per cent with the repayment period of 36 months.

In credits for financing exports of ships over 2000 compensated gross registered tons, the rediscount rate is 38 per cent with the repayment period of 24 months.

For financing the production and preparation of export goods, the rediscount rate is 16 per cent and repayment periods differ, depending on the duration of the technological production process, i.e. the preparation period (3; 6; 12, or 24 months). For financing the preparation of production of ships for export and for financing the production of ships for export over 2000 compensated gross register tons, the rediscount rate is 30 per cent. Rediscount rates for credits used for the financing the preparation for the performance of services for foreign tourist is 35 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 28 per cent with the repayment period of 60 days. For financing production programmes and programmes for the preparation of production carried out in the framework of joint production and export programmes of certain products, or group of products, the rediscount rate is 60 per cent if export is payable within 20 days and 22 per cent if export is payable within period of over 30 days and 28 per cent for export to overseas countries if it is payable within 90 days.

The repayment periods differ, depending on the duration of the technological production process, i.e. preparation period (3; 6; 12 or 24 months).

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 re-discount rate is 31 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 19 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 1988 (Official Gazette of the SFR of Yugoslavia, No.12/88 stipulates that 480 billion dinars from primary issue shall be earmarked for export of goods and services incentives (in 1984, it amounted to 217.601 billion, in 1985 to 301.233 billion dinars, in 1986 to 389,933 and in 1987 to 1080.0 billion dinars).

The Decision on the Interest rates charged on Credits from Primary Issue and on other claims of the National Bank of Yugoslavia (Official Gazette of the SFR of Yugoslavia Nos. 87/87, 29/88 and 35/88) stipulates that the discount rates of the National Bank of

Yugoslavia will be adjusted monthly depending on the rate of inflation. According to this, the National Bank of Yugoslavia will publish in the Official Gazette of the SFR of Yugoslavia the levels of the discount rates for each month by particular communications.

The discount rates charged on export credits from primary issue up to now, were as follows:

1 February - 1 March 1988:	48 per cent
1 March - 1 April 1988:	99 per cent
1 April - 1 May 1988:	113 per cent
1 May - 1 June 1988:	115 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.