

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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Committee on Balance-of-Payments Restrictions

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1988 CONSULTATION WITH YUGOSLAVIA  
UNDER ARTICLE XVIII:12(b)

Statement by Yugoslavia under Simplified  
Procedures for Consultations<sup>1</sup>

Attached is the statement provided by Yugoslavia for the consultation.

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<sup>1</sup>BISD 20S/47

Balance of Payments, Foreign Exchange Reserves, Foreign DebtBalance of Payments

The 1984-1988 period (data for the first six months of this year are used for 1988) is characterized by an upward tendency of the current account surplus as shown by the following table:

Balance of Payments of Yugoslavia

(1984 - data for the first six months of 1988)

			US\$ millions*
Year	Current account balance	Trade balance	Balance on invisibles
1	2	3	4
1984	510	- 1,743	2,253
1985	833	- 1,601	2,434
1986	1,100	- 2,012	3,112
1987	1,188	- 1,238	2,426
1988/six months	738	- 76	814
1988 estimate	205	- 2,390	2,595

\* US\$1 = current exchange rate

Source: National Bank of Yugoslavia

The increased current account surplus in 1986 was the result of a high growth of receipts on invisibles (a US\$678 million increase of the surplus over 1985), while at the same time the trade balance deficit during that year rose by US\$411 million over 1985.

In 1987 the current account surplus continued to grow, but for the most part due to the reduced trade balance deficit. The balance on invisibles in 1987 was positive but also reduced as compared to 1986, primarily because net foreign exchange receipts on account of workers' remittances were lower. The results attained during the first six months of 1988 show a current account surplus as a result of the substantially lower deficit in trade with foreign countries and an increase of the surplus on invisibles as against the same period last year.

The estimate for 1988, however, envisages a considerable reduction of the current account surplus as compared to previous years, as a result of the growth of the trade balance deficit and the very slight increase of the surplus on invisibles. This estimate of a lower balance-of-payments surplus for 1988 is based on the need to ensure the smooth functioning of

the foreign exchange market, the faster growth of imports than of exports, and the better supply of the economy with intermediaries, and larger equipment imports aimed at the faster restructuring of the economy, so as to streamline and better equip it for its faster inclusion in the international division of labour.

The foreign trade balance registered a deficit over this whole period:

Foreign Trade Balance of Yugoslavia

(1984 - first six months of 1988)

				US\$ millions*
Year	Exports of goods	Imports of goods	Trade balance	Coverage of imports by exports
1	2	3	4	5
1984	10,188	- 11,931	- 1,743	85.4
1985	10,622	- 12,223	- 1,601	86.9
1986	11,084	- 13,096	- 2,012	84.6
1987	11,752	- 12,990	- 1,238	90.5
1988 (I-VI)	5,976	- 6,052	- 76	98.7
1988 estimate	13,160	- 15,550	- 2,390	84.6

\*US\$1 = Current exchange rate

Source: National Bank of Yugoslavia

The more favourable trade balance in 1987 was a result of more dynamic exports (6.0 per cent growth in value terms) and lower imports (0.8 per cent in value terms). Imports of goods were reduced primarily due to the problem of their financing in convertible currencies. Import cutbacks adversely affected production and thereby possibilities for the faster growth of exports and the supply of the domestic market. In 1987 import financing problems were aggravated due to the high levels of repayments due under foreign debts, with the concurrent reduction of convertible currency earnings on invisibles.

During the first six months of 1988 the trade balance deficit amounted to only US\$76 million. Exports of goods in the mentioned period rose by 15.2 per cent and imports fell by 0.6 per cent. In spite of the fact that results in trade exceeded expectations, such trends reflected adversely on production growth. In the first six months of this year production declined by 1.6 per cent as compared to the same period last year.

With regard to trade in invisibles, net revenue in 1987 fell by US\$686 million as compared to 1986. For 1988, net receipts on invisibles are expected to improve, primarily on account of tourist services and a slight improvement is also expected in net earnings from workers' remittances.

In spite of an increase of net expenditures on interest payments (of US\$197 million) in the first six months of 1988, the net foreign exchange balance on invisibles increased by US\$318 million, with increases of net earnings from remittances (of US\$357 million) and from services (of US\$158 million) - primarily of tourist services (an increase of US\$205 million).

Balance on Invisibles of Yugoslavia for the Period

(From 1984 - the first six months of 1988)

			US\$ millions*
Year	Receipts on invisibles	Expenditure on invisibles	Balance
1	2	3	4
1984	7,002	- 4,749	+ 2,253
1985	7,104	- 4,670	+ 2,434
1986	8,676	- 5,564	+ 3,112
1987	9,026	- 6,600	+ 2,426
1988 (I-VI)	4,431	- 3,617	+ 814
1988 estimate	9,750	- 7,155	+ 2,595

\* US\$1 = Current exchange rate

Source: National Bank of Yugoslavia

The most important items of the balance on invisibles as regards receipts are remittances of workers and emigrants, tourism and transport, and as regards expenditure, interest on foreign loans, transport, drawings on private foreign currency accounts. The reduction of the surplus on invisibles for 1987 as well as its estimated reduction for 1988, as compared to 1986, are primarily a consequence of lower net inflows on private foreign currency accounts by about US\$500-600 million (from US\$1,600 million to 1,000-1,100 million) and also of high net foreign exchange outflows on account of payments of interest on foreign loans. This outflow is approaching the amount of US\$2,000 million. Earnings from tourism are growing and are expected to amount to US\$1,900 million in 1988 (as compared to 1,084 million in 1984). Net receipts from transport amounted to some US\$1,000 million.

Current account trends with the convertible currency area, where the external liquidity problems of the country are most pronounced, show considerable oscillations, although a constant surplus trend is evident here too. The 1984 US\$812 million surplus dropped to US\$344 million in 1985 and US\$245 million in 1986, to soar to a record amount of US\$1,037 million in 1987.

The improved current account balance with the convertible currency area in 1987 was achieved under conditions of lower net foreign exchange receipts on invisibles (due to a drop in net foreign exchange inflow from remittances by US\$631 million) and as a result of the effects of the reduced trade deficit with the countries of this area.

During the first six months of 1988 the current account balance with the convertible currency area continued to improve significantly. A surplus of US\$734 million was achieved as against the deficit of US\$288 million in the same period last year. This is a consequence of the reduction of the trade deficit with this area of US\$736 million and the increase of the surplus on invisibles by US\$286 million.

Current Account Balance of Yugoslavia  
with the Convertible Currency Area

(1984 - first six months of 1988)

			US\$ millions*
Year	Current account balance	Trade balance	Balance on invisibles
1	2	3	4
1984	812	- 1,172	1,984
1985	344	- 1,771	2,115
1986	245	- 2,490	2,735
1987	1,037	- 1,068	2,105
1988 (I-IV)	734	11	723
1988 estimate	400	- 1,850	2,250

\* US\$1 = Current exchange rate

Source: National Bank of Yugoslavia

In trade with the convertible currency area the rate of growth of exports went up from 11.6 per cent in 1986 and 17.5 per cent in 1987 to 20.1 per cent in the first six months of 1988.

Simultaneously with such export increases, import (after going up by 17.7 per cent in 1986) fell by 1.5 per cent in 1987 and in the first six months of 1988 it rose by a mere 0.3 per cent due to external liquidity constraints.

The results recorded in the trade balance with the convertible currency area over the first six months of this year differ considerably from those envisaged. This is due to difficulties in securing resources for the payment of imports caused by fluctuating foreign exchange inflows and outflows. Also, it was only around the middle of the year that negotiations were successfully concluded with the IMF and other foreign creditors on their support of the Yugoslav economic reform.

The 1988 projection envisages a 13.8 per cent growth of exports of goods to the convertible currency area and, on that basis, a much faster growth of imports of goods from this area (20.5 per cent), so that more equipment could be imported to support the restructuring and modernization of the economy and improve the supply of the domestic market with raw materials and manufactured products. The operation of the foreign exchange market and greater import liberalization should also contribute to the accelerated growth of imports.

Yugoslavia's Trade Balance with  
The Convertible Currency Area

(1984 - preliminary data for the first six months of 1988)

US\$ millions *				
Year	Exports of goods	Import of goods	Balance	Share of exports in imports
1	2	3	4	5
1984	6,522	- 7,694	- 1,172	84.8
1985	6,496	- 8,267	- 1,771	78.6
1986	7,249	- 9,739	- 2,490	74.4
1987	8,521	- 9,589	- 1,068	88.9
1988 (I-VI)	4,484	- 4,47	+ 11	100.2
1988 estimate	9,700	- 11,550	+ 1,850	84.0

\* US\$1 = Current exchange rate

Source: National Bank of Yugoslavia

The growth of exports of goods to the convertible currency area during the first six months of this year at a more dynamic rate (20.1 per cent) than envisaged (13.8 per cent), the greater increase of net foreign exchange receipts on invisibles (US\$286 million) than envisaged for the whole year (US\$145 million) as well as the successful conclusion of negotiations with the International Monetary Fund and other foreign

creditors have created conditions for speeding up the process of liberalizing foreign economic relations in the remaining months of 1988 and until the end of the decade. Import increases should make for an intensification of production and thereby of exports and help check the growth of inflation.

#### Foreign exchange reserves

In 1986, and particularly in 1987 the level of foreign exchange reserves declined despite the surplus on the current account balance with the convertible currency area.

The reduction was mainly due to the net outflow of resources to honour the country's credit and financial obligations to foreign countries. The 1988 projection envisages a US\$955 million increase of foreign exchange reserves on the basis of a surplus on the current account balance with the convertible currency area and of net capital imports.

Over the first six months of this year foreign exchange reserves increased by US\$178 million as compared to the end of 1987. At the same time the amount of external resources obtained under medium- and long-term loans and credits was smaller by US\$76 million, whereas an increase of US\$702 million had been projected.

#### Foreign debt

Net foreign indebtedness increased in 1986 and especially so in 1987, despite the concurrent surplus on the current account. This is for the most part due to the depreciation of the dollar vis-à-vis other convertible currencies and to the increase of net claims from the non-convertible currency area which do not fall under the category of credits extended to foreign countries.

#### End of Year Position

Description	US\$ millions			
	1984	1985	1986	1987
1	2	3	4	5
Net indebtedness	18,274	18,100	18,757	19,549
- total debt	20,191	19,891	20,591	21,961
- credits granted to foreign countries	1,917	1,791	2,016	2,412

Source: National Bank of Yugoslavia

The level of indebtedness in the period 1986-1987 increased somewhat as compared to the preceding two years as a consequence of the faster growth of annual repayments than of foreign exchange revenue.

In 1987 and in the first six months of this year the level of indebtedness showed a slight downward trend as compared to 1986.

Year	Level of indebtedness
1	2
1984	33.4
1985	33.8
1986	36.4
1987	35.5
1988 (I-VI)	34.6

Source: National Bank of Yugoslavia

#### Measures to remedy the situation

The 1986-1990 Social Plan of Yugoslavia elaborates more specifically the development policy charted under the Long-Term Programme of Economic Stabilization and the Social Plan of Yugoslavia for the period 1986-2000.

The difficult economic situation that we have been confronted with in recent years calls for such economic policy measures as would make it possible to transform the economy structurally and technologically and pave the way for overcoming the stagnation in its development and for stable and dynamic economic growth and development on a long-term basis.

The determination of economic policy for 1988 was preceded by the adoption of the Programme of Measures and Activities to Curb Inflation and Stabilize the Economy, the Programme for the Consolidation of Foreign Debt and the Programme for the Consolidation of Internal Debts. In view of the circumstances surrounding the adoption of these programmes, intervention measures were taken at the same time in the fields of prices, consumption, credit and monetary policy, interest rate policy and the dinar exchange rate policy aimed at arresting unfavourable trends, notably in the price sector, and creating conditions for the initiation of the economic stabilization process.

According to estimates for 1988 the social product should go up in real terms by 2 per cent, industrial production by 2 per cent, agricultural production by 4 per cent, labour productivity in industry by 1 per cent, gross investment in fixed assets by 2.5 per cent, employment by 1.0 per cent and the standard of living by about 0.5 per cent. Exports of goods and services are envisaged to increase by 11.8 per cent in nominal terms, and imports by 19.5 per cent, also in nominal terms.

This economic policy was based on the following assumptions: regulation of the external debt through negotiations with creditors; the rescheduling of external debts and the creation of conditions for reducing the debt servicing ratio to 25 per cent of foreign exchange receipts and considerably mitigating on that basis this limiting factor of further economic growth and development; settlement of internal debts; implementation of reforms in the economic system designed to enhance economic laws and a market economy, and of changes in development and economic policies, and a broader-based process of economic restructuring.

Proceeding from the Programme of Measures and Activities to Curb Inflation and Stabilize the Economy and the Agreement with the International Monetary Fund, in mid-May 1988 additional measures were adopted for the fuller realization of the charted economic policy. These measures shall supersede the intervention measures adopted in November 1987 and are aimed at reversing adverse tendencies, above all spiralling inflation as soon as possible.

The economic policy measures in force as of the latter half of May proceed from a market economy concept and constitute the groundwork for the forthcoming reform of the economic system based on a realistic evaluation of production factors and recognition of market criteria. They are designed to set off a process of liberalization of prices and imports and inaugurate a foreign exchange market, to ensure greater flexibility in the dinar exchange rate policy and limit the nominal growth of personal, general and collective consumption. These measures proceed from a target inflation rate and introduce nominal limits for the growth of gross personal incomes, general and collective consumption, frameworks for the growth of basic monetary and credit aggregates, significant price and import liberalization and the establishment of a free foreign exchange market.

A component of the adopted economic policy for 1988 are also measures related to the economic system, development policy, and changes in the structure of the economy. A number of far-reaching changes of the economic system which shall be built into the constitutional amendments and the relevant legislation are in their final stages.

The implementation of the envisaged changes in the economic system would create realistic conditions for the realization of the new development policy concept. This policy lays developmental emphasis on profitable and dynamic export-oriented production.

In order to promote foreign economic relations, an assessment has been made of past co-operation with individual countries, groups of countries and the main regions, and the potentials identified of future co-operation in the field of exports and imports of goods and services and long-term forms of co-operation (long-term co-production, business co-operation, financial co-operation, scientific-technical co-operation, etc.) as well as measures and activities to promote them.

Work is in progress on preparing and adopting joint production and export programmes which should promote exports and harmonious economic development. Eligible programmes, of this kind receive social support. In fact, when adopting Joint Programmes (twenty have been adopted so far) the Federal Executive Council also adopts measures for their implementation.

Main Characteristics of the Regulations Governing  
Foreign Trade and Foreign Exchange Transactions

Legal and administrative basis for the application of trade restrictions

The following main laws regulating the area of foreign economic relations are in force in 1988:

- Law on Exchange of Goods and Services with Foreign Countries (Official Gazette of the SFRY", No. 66/85) and amendments thereto ("Official Gazette of the SFRY", No. 38/86; 67/86; 43/87 and 87/87);
- Law on Foreign Exchange Operations ("Official Gazette of the SFRY", No. 66/85; 71/86 and 3/88);
- Law on Foreign Credit Relations ("Official Gazette of the SFRY", No 66/85 - and amendments thereto - ("Official Gazette of the SFRY" No. 38/86);
- Law on Business Activities Abroad ("Official Gazette of the SFRY", No. 71/85 - and amendments thereto - ("Official Gazette of the SFRY", No. 38/86 and 13/87);
- Law on Construction of Capital Projects Abroad, which is regulating the rights and obligations of organizations of associated labour in executing capital projects abroad ("Official Gazette of the SFRY", No. 71/85).

A common characteristic of these laws is that they establish conditions for developing economic relations with foreign countries on principles characteristic of a country open to the world market, depending on the degree of integration of the Yugoslav economy in the international division of labour, the growth of exports and a stable balance of payments.

The Law on the Exchange of Goods and Services with Foreign Countries and the Law on Foreign Exchange Operations contain arrangements to be applied when the dinar achieves convertibility as well as arrangements in force as of 1 January 1986, which are based on the need to bring the rights to imports and payments abroad by domestic persons in line with balance-of-payments possibilities.

Foreign exchange system

All export and import payments and settlements within the proportions specified in the balance of payments of Yugoslavia, and all transactions related thereto are effected through banks authorized for foreign

transactions. These banks draw up annual and periodic plans of foreign exchange inflow and outflow on the basis of the export plans and programmes of their clients. In the transitional period until the dinar becomes convertible, banks authorized for foreign transactions are obliged to register daily foreign exchange positions, including all available funds for payments abroad and repayments to foreign countries falling due within a specified period of time. On the basis of the daily positions of the banks, the National Bank of Yugoslavia draws up a common foreign exchange position for the purpose of determining the overall supply and demand of foreign exchange on the integrated foreign exchange market.

Organizations of associated labour choose an authorized bank which calculates their socially verified reproduction requirements and keeps records on the use of their rights to imports and payments; payments to foreign countries can also be made through another bank authorized for foreign transactions. Within their established rights to imports and payments, organizations of associated labour purchase foreign exchange and submit payment orders and deposit the dinar equivalent to the obligations due through authorized banks. When exporting, an organization of associated labour is obliged to collect payment within sixty days, that period may be extended for a single additional term under stipulated conditions. When foreign currency has been credited to the account of the authorized bank in question, the organization of associated labour is paid the dinar equivalent of that amount.

All purchases and sales of foreign exchange are made at the integrated foreign exchange market promptly and on the date due as follows:

- (a) between organizations of associated labour and banks as well as between authorized banks directly when they have current accounts with banks abroad;
- (b) at specially organized interbank meetings of the integrated foreign exchange market between authorized banks and the National Bank of Yugoslavia.

The National Bank of Yugoslavia determines which foreign currencies shall be bought and sold at the integrated foreign exchange market and by its intervention at the interbank meeting harmonizes foreign exchange supply and demand. One of the specific characteristics of the foreign exchange system in force is that the established rights to imports and payments are more closely linked to export and foreign exchange receipts through the process of adjustment. Adjustment is carried out depending on export trends in the current period as compared to the export performance registered during the same period of the previous year on the one hand, and the ratio between exports and foreign exchange receipts in the current period on the other. In this way organizations of associated labour are motivated not only to step up exports but also to promptly collect payments for them.

Essential characteristics of the trade régime

Pursuant to the Law on the Exchange of Goods and Services with Foreign Countries and the Law on Foreign Exchange Operations until the domestic currency becomes convertible, exports and imports of goods shall be effected under the following régimes:

- liberalized export and import (LB);
- exports and imports under quotas (Qq., Qv.);
- export and import under licences (D);
- conditionally free import (LBO).

The main criterion for classifying goods under this or that import and export régime in this period is the desire to open the Yugoslav economy to the beneficial effects of the world market, by making the number and value share of liberalized exports and imports predominant in total Yugoslav exports and imports as compared to other régimes of regulated exports and imports. This presupposes that exports and imports are free as a rule, and only exceptionally can they be regulated by restrictive régimes, in the event of balance-of-payments constraints or when the country's foreign exchange reserves have been seriously brought into jeopardy; the need to honour obligations under international treaties; the structural adjustment of domestic production; the protection of national resources and the supply of the domestic market with strategic products.

In the case of liberalized imports regardless of their purpose (raw materials, equipment and consumer goods), payment is also free.

The volume of imports of goods under quotas as well as its distribution among individual organizations, users of imported products, shall be determined in the manner established by organizations of associated labour within the Chamber of the Economy of Yugoslavia. Organizations of producers and consumers of the goods in question participate on a footing of equality in this distribution. If the fixed quotas or their distribution should bring into question the supply of the domestic market, the production or export of goods, the Federal Executive Council may revise the quotas or take other measures to eliminate the disruptions. This is meant to thwart possible tendencies towards confinement and autarky which could be manifested in those branches of the economy in which the manufacturers of the respective goods play a dominant rôle.

The export and import licences régime is applicable when the obligation of controlling traffic in specific goods is envisaged by international treaties ratified by the SFRY (narcotic drugs, coffee, cocoa bean, sugar, etc.) as well as to exports and imports of armaments and military equipment, exports of historic and works of art and exports and imports of certain precious metals (gold, platinum, etc.).

In terms of the commodity régime, conditionally free imports are liberalized imports but within the possible volume of payments which is adjusted to the volume of imports envisaged by the balance of payments of Yugoslavia.

Import and export liberalization should be carried out depending on: the balance of payments equilibrium, trade balance, the coverage of imports by exports of Yugoslav products and services, the execution of structural adjustments of production, enhanced competition and export orientation, the decrease of the level of indebtedness, and the release of a larger share of foreign exchange receipts for the payment of imports.

In accordance with the adopted strategy of the openness of the Yugoslav economy to the existing economic and financial environment and on the basis of an analysis of the trade régime in October 1987, the Federal Executive Council established a matrix for the liberalization of the trade régime until 1991 and in May 1988, passed a decision on a further liberalization of imports of goods of which we notified the GATT secretariat on 4 July 1988 (document L/6372). Further import liberalization is expected at the end of 1988.

Preparations are under way for submitting a full list of products subject to restrictions.

Schedule of Import Liberalization up to 1991

% share in total value of imports

No.	Description	1987	1988	1989	1990	1991
1	2	3	4	5	6	7
1.	Value of imports under the quota régime (Qq. + Qv.)	47	25	23	22	22
2.	Value of imports under the licence régime (D)	4	1	1	1	1
3.	Value of imports under (1) and (2) (Qq. + Qv. + D)	51	26	24	23	23
4.	Liberalized imports (LB)	14	40	50	55	77
5.	Conditionally free imports (LBO)	35	34	36	22	0
6.	Value of liberalized imports (LB + LBO)	49	74	76	77	77

### Specially regulated foreign trade operations

The system of foreign economic relations contains certain arrangements which make possible the free import of certain goods, depending on the purpose of imports and the type of foreign trade operations, although the goods which are being imported have not been classified under the régime of liberalized imports, namely for: imports of spare parts for the maintenance of imported equipment; imports and exports of goods on the basis of long-term co-production contracts; imports of goods under the conditionally-free import régime effected through local frontier traffic and trade fairs and tied deals; imports and exports under contracts on the investment of resources of foreign persons in a domestic organization of associated labour and contracts awarding capital projects to foreign investors.

Domestic and foreign physical persons may freely export and import objects for their needs provided these are not imported and/or exported in quantities intended for sale. These are in the first place personal effects as well as objects for the personal needs of their family and household. This also applies to temporary export and import in the case of temporary residence abroad and/or in Yugoslavia. Domestic and foreign physical persons may purchase objects for their personal needs, for the personal needs of the members of their family as well as for the needs of their household from organizations of associated labour representing foreign persons and operating consignment warehouses of foreign goods or import them through trade organizations registered for foreign trade transactions.

In addition to the above, domestic physical persons, engaged in the crafts or agriculture as their main activity may import capital goods for their needs (machines, equipment and the like) and other necessary inputs. The law provides special facilities for domestic physical persons returning to Yugoslavia from temporary employment abroad.

### Customs duties and import charges

The average tariff rate on Yugoslav imports (weighted by the import value) in the period 1983-1987 was 7.0 per cent, i.e. 7.3 per cent in 1983, 6.5 per cent in 1984, 6.3 per cent in 1985 and 7.4 per cent in 1986, and 7.8 per cent in 1987.

Average Import Duty Rates

(%)

Customs tariff section No.	1983	1984	1985	1986	1987
	Customs	Customs	Customs	Customs	Customs
1	2	3	4	5	6
I. Live animals and products	9.3	7.8	7.6	9.5	9.6
II. Vegetable products	3.3	3.1	3.6	2.3	3.3
III. Fats, oils and waxes	5.9	4.7	5.1	4.5	4.3
IV. Foodstuffs and tobacco	6.4	10.3	6.1	5.8	7.3
V. Mineral products	1.3	1.1	1.3	1.1	1.2
VI. Chemical industry products	7.9	6.5	6.1	6.6	6.5
VII. Plastic materials and rubber	10.4	10.2	9.7	9.9	9.9
VIII. Leather, furs and articles thereof	2.6	1.7	2.1	4.5	5.6
IX. Wood and articles of wood	4.8	5.3	5.2	5.2	5.6
X. Pulp, paper and articles thereof	8.4	7.9	8.2	8.8	8.8
XI. Textile and textile articles	10.3	8.3	7.2	9.5	11.6
XII. Footwear, headgear, feathers, etc.	18.7	18.2	17.7	19.1	18.7
XIII. Articles of stone and plaster	12.6	12.0	11.1	12.2	11.8
XIV. Pearls, precious stones and jewellery	10.7	9.5	8.5	7.6	9.9
XV. Base metals and articles thereof	9.7	8.9	8.3	9.4	9.7

Average Import Duty Rates (cont'd)

(2)

Customs tariff section No.	1983	1984	1985	1986	1987
	Customs	Customs	Customs	Customs	Customs
1	2	3	4	5	6
XVI. Machinery, appliances and equipment	12.0	11.6	11.2	11.3	11.2
XVII. Vehicles and other means of transport	13.9	13.8	9.8	12.0	13.5
XVIII. Instruments	9.7	9.0	8.2	7.8	7.2
XIX. Arms, ammunition and parts thereof	10.4	24.7	23.0	24.8	24.2
XX. Miscellaneous manufactures	16.2	14.8	15.3	15.7	15.0
XXI. Works of art	2.0	2.0	0.6	2.9	3.8
X.-XXI. All sections	7.3	6.5	6.3	7.4	7.8

Import charges, in addition to customs duties also include the following:

- a border tax adjustment, which for 1988 is 10 per cent ("Official Gazette of the SFRY", No. 20/88);
- a special 1 per cent customs record tax ("Official Gazette of the SFRY", No. 85/87);
- a special tax on imported goods which for 1988 is 4.8 per cent ("Official Gazette of the SFRY", No. 49/88);
- a special charge payable on certain agricultural and foodstuff products ("Official Gazette of the SFRY", No. 15/88, while the list of imports on which this charge is payable has been published in the "Official Gazette of the SFRY", No. 24/88).

Regional breakdown of foreign trade

In the regional breakdown of foreign trade the share of the developed countries continues to grow at the expense of the share of the developing and socialist countries.

(% share)

Description	1984	1985	1986	1987	I.-VI.
					1988
1	2	3	4	5	6
SFRY trade	100.0	100.0	100.0	100.0	100.0
of which:					
Developed countries	40.3	41.3	47.8	52.4	54.8
Developing countries	19.3	17.7	15.3	13.0	14.0
Socialist countries	40.4	41.0	36.9	34.6	31.2

The increased share of the developed countries in overall trade is the result of the increased share of these countries in both Yugoslavia's total imports and exports over recent years.

(% share of the developed countries)

Description	1984	1985	1986	1987	I.-VI.
					1988
1	2	3	4	5	6
In overall exports of goods	35.7	35.0	40.5	48.7	54.1
In overall imports of goods	44.3	46.9	54.1	55.7	55.6

As most of the trade deficit and foreign debt is generated in trade with the developed countries, the better balance which has been struck in trade with these countries is noteworthy. The share of exports of goods to the developed countries of the West in our overall trade with these countries increased from 38.8 per cent in 1986 to 44.2 per cent in 1987 and to 48.9 per cent in the first six months of this year.

In 1986 and 1987 as well as in this year, Yugoslavia sought to strengthen co-operation with certain groupings as well with individual developed countries and to create conditions for increasing the share of Yugoslav goods on those countries markets. Thus, the share of imports from Yugoslavia in the total imports of OECD countries increased from 0.26 per cent in 1981 to 0.36 per cent in 1985 and to 0.43 per cent in 1987.

The establishment of more equitable and balanced relations in trade with the developed countries should contribute to the further faster promotion of co-operation because conditions have been created not only for a further growth of exports but also for an increase of imports from these countries. The further growth of exports should be enhanced by the advantages offered by the General Scheme of Preferences, the new trade provisions of the Agreement on Co-operation with the EEC, the promotion of co-production and joint ventures, technical co-operation on projects of mutual interest, the promotion of the existing bilateral forms of co-operation, the expansion of multilateral co-operation with certain regional groupings and co-operation with the Organization for Economic Co-operation and Development (OECD), as well as from the possibilities created for larger imports from these countries which is essential for boosting production and exports.

Trade with East European socialist countries is carried out on the basis annually agreed commodity lists. With the three largest foreign trade partners in this region payments are effected through clearing arrangements. Yugoslavia has such payment arrangements with five countries: the USSR, Czechoslovakia, the German Democratic Republic, Albania and Mongolia. In the past two years and in the first six months of this year, trade with the non-convertible currency area declined in nominal terms, which led to a considerable decrease of the share of this area in overall Yugoslav trade (from 35.4 per cent in 1985 to 29.7 per cent in 1986, 26.8 per cent in 1987 and to 25.5 per cent in the first six months of 1988).

The main factor limiting more successful trade with the non-convertible currency area, i.e. with socialist countries, is the high outstanding balance on clearing accounts. It should have been reduced to the normal level by increased imports from this area. However, given the stagnation of production and dampened investment activity, imports were insufficient, which resulted in decreased exports to these countries. The restructuring of the economies of most of the COMECON member countries was another limiting factor.

With a view to promoting trade and eliminating the causes of the adverse trends, agreement has been reached with most of these countries for both sides to take appropriate measures and activities conducive to overcoming the existing state of affairs. The strengthening of co-production and specialization, technology transfers, joint ventures, financial and scientific and technical co-operation, as well as co-operation in the field of power generation, raw materials and food will contribute to the further development of economic co-operation with socialist countries.

The promotion of trade and other forms of economic co-operation with developing countries is one of the strategic objectives of Yugoslavia's foreign trade policy. Yugoslavia is endeavouring to harmonize as far as possible its economic relations with these countries with the need for broader and more intensive co-operation in all branches of the economy.

Our co-operation with developing countries is taking place under increasingly complex conditions. In recent years the position of developing countries as a partner in international trade has weakened considerably primarily due to the impact of external factors: the developing countries' debt problems; changes in terms of trade, and the limited possibilities of developing countries to meet their import needs (due to lower foreign exchange receipts, etc.), intensified competition on the part of the developed and socialist countries.

In spite of all the problems and difficulties encountered in co-operation with developing countries, we are constantly endeavouring to promote it. To this end we particularly encourage more complex forms of long-term co-operation and co-production, in foreign trade with these countries with a shift of emphasis towards more highly-processed products based on the raw materials, scientific and professional potentials and other resources of developing countries.