

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Working Party on Relations with Yugoslavia

### OPENING STATEMENT BY THE YUGOSLAV REPRESENTATIVE

Under Section D, paragraph 3 of the Declaration of 25 May 1959, the CONTRACTING PARTIES are called upon to consider whether the arrangement governing relations between contracting parties and Yugoslavia is to be terminated, modified or continued. It is therefore the task of this Working Party to examine this question in order to make an appropriate recommendation to the CONTRACTING PARTIES.

In this connexion, may I remind you of the statement made by the Yugoslav representative at a meeting of the Council last May:

"Bearing in mind that the General Agreement is an instrument of international co-operation in the field of international trade, and being, as we have frequently said, anxious to help in solving the problem raised by the expansion of international trade, Yugoslavia declares herself satisfied with her co-operation with the Member countries of GATT, and proposes to continue this co-operation." On that occasion the representative of Yugoslavia announced his Government's intention to seek, for and, together with the CONTRACTING PARTIES, find a solution which would constitute a substantial advance on the Declaration of 25 May 1959, in the form of provisional accession which would serve as a basis for a final solution of Yugoslavia's relations with GATT.

I have particular pleasure in being able, before this Working Party in which we have successfully carried out the task entrusted to us, to confirm the Yugoslav representative's statement to the GATT Council and likewise the Yugoslav Government's intention of strengthening its co-operation with GATT, in the form of provisional accession to the General Agreement.

This provisional accession, for which we have already submitted a formal application, is due to the provisional character of the customs tariff, i.e. to the fact that some time will be required for adjustments to be made in the light of the objectives of the reform of the foreign currency system, thus preventing Yugoslavia from acceding definitively forthwith.

In other words, Mr. Chairman, we are in the process of drawing up a customs tariff which would be an essential and effective instrument of our foreign trade. This being so, one must proceed prudently and not embark prematurely on tariff negotiations, in order not to create useless difficulties on the national and international level.

When the Declaration was signed, Yugoslavia's economic development required certain modifications to be made in the foreign trade and exchange system. Since they were in conformity with the objectives of the General Agreement, these modifications have enabled useful co-operation to be established with GATT and have created suitable conditions for strengthening and furthering that co-operation.

During the past three years the Yugoslav economy has developed steadily. In 1961, however, there was some slackening in this development, due mainly to the adjustment entailed by the implementation of the foreign exchange system and also to unfavourable weather conditions which affected agricultural production. The expansion in production has been accompanied in recent years by a marked increase in the manpower employed in sectors other than agriculture. However, despite the considerable increase in the number of persons employed, a satisfactory improvement has been recorded in labour productivity in all sectors of the economy in the past few years.

Investments in basic equipment and working capital have continued to expand and have absorbed nearly 30 per cent of the national product. In the past few years the effectiveness of investment has been greater than before.

As you know Mr. Chairman, the members of the Working Party have already been informed of the changes made in Yugoslavia's foreign trade system in the first six months of 1961. These measures consist of the implementation of the reform of the foreign exchange and foreign trade system, and the introduction of the provisional customs tariff. In fact, the purpose of all the measures applied is solely to improve the develop the system introduced in 1961.

At the beginning of 1962, following the experience acquired after the abolition of the system of coefficients and the introduction of customs duties, some less important modifications were made to the provisional customs tariff, by raising the duties on certain items and reducing those on others. The CONTRACTING PARTIES have already been informed of these modifications. The fact that Yugoslavia introduced a customs tariff for the first time after the war accounts for the modifications which have had to be made from time to time and are inevitable in the process of determining adequate rates of duty.

Since the last consultation there have been no substantial modifications in the foreign exchange and foreign trade system. The lists of free imports and imports under liberal licences have been extended somewhat and during the first three months of this year, because of our balance-of-payments situation and the adjustments necessitated by the evolution of our economy, certain amendments were made to the import lists, as the CONTRACTING PARTIES have already been informed.

Towards the middle of 1962 the Law on the exchange of goods and service with foreign countries and the Law regulating business relations on the market were enacted; this was a step forward from the legislative point of view in the development of the system established in 1961.

Inter alia, this legislation strengthens and develops the principle of the independence and business freedom of commercial enterprises in the sense already explained to this Working Party last year. This is a basic principle of our economic system which guarantees the free play of competition.

On this occasion, Mr. Chairman, I should like to emphasize that the Declaration of 25 May 1959 has now been in force for almost three years and that it was preceded by a fairly long period of preparation. During the preparatory period as well as during the validity of the Declaration, the contracting parties and Yugoslavia have had ample opportunity to become better acquainted and to gather sufficient experience which might lead to the achievement of the objective stated from the outset, namely Yugoslavia's accession to GATT under Article XXIII of the General Agreement.

In view of the long preparatory period which I have just mentioned and the fact that the Working Party is now making its third review of the development of Yugoslavia's commercial system, we may justifiably hope that this task will be successfully accomplished.

The second point which I should like to emphasize is that throughout the period of validity of the Declaration of 25 May 1959, my Government has spared no effort to carry out all its undertakings in pursuance of that Declaration. The essential features of our commercial system have already been examined by this Working Party without any serious objections being formulated, and this has strengthened our conviction that it is in conformity with the major principles of GATT.

To sum up, I am convinced that in the course of these consultations, the members of the Working Party will reach the conclusion that Yugoslavia has observed the terms of paragraphs 24 and 25 of document I/1378 and that, when examining the matter which is the subject of this consultation, they will take account of the fact that Yugoslavia is a country in the process of development.

It is in this very perspective that we have submitted our application for provisional accession.