

INFORMATION

EXTERNAL RELATIONS

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JUGOSLAVIA AND THE EUROPEAN COMMUNITY

instead of 36/72

Jugoslavia is marked by the unusual character of its international economic relationships, which reflect its policy of non-alignment.

Since 1961, the country has been collaborating as a member O.E.C.D., and it plays an important part in the United Nations Economic Commission for Europe. In 1966, Jugoslavia became a member of GATT and later, made contacts with the EFTA Secretariat.

Since September 1964, the country has been associated on special terms with the work of Comecon (1)

On March 17, 1970 Jugoslavia became party to a commercial agreement with the European Community.

1. Economic characteristics of Jugoslavia

Salient statistics : Jugoslavia is made up of six republics -- Bosnia-Herzégovina, Croatia, Macedonia, Montenegro, Serbia and Slovénia. It covers an area of 255,804 sq.km., and has a population of 20.5 million. The density is thus 80.2 inhabitants per sq. km.

In 1969, the country's net social (or material) product was about \$ 10,000 million, which is thus broadly equivalent to the year's total production of goods and services. Adding 15 % to cover the private services sector and the administrations, we obtain a GNP figure of \$ 11,866 million. The annual growth

- (1) In July 1972, the Prime Minister M. BIJEDIC was present at the twenty-sixth session of Comecon. This was the first time Jugoslavia has been represented in this organisation at so high a level.

rate of the social product was 7 % over the 1950-70 period, and 8.2 % in the period 1957-70.

Jugoslavia's income per head, though comparatively small, has shown a satisfactory growth, and is now over \$ 500 per inhabitant.

The country's tradition is agricultural, but it is rapidly becoming industrial.

Agricultural production	1963 = 100	1968 = 107
	1969 = 100	1970 = 93
Industrial production	1963 = 100	1969 = 154
	1969 = 100	1970 = 109

The chief crops are wheat, maize and tobacco; and these, with the raising of livestock, are the main factors in the country's expansion. The growth in industry is, however, considerable especially in the construction trades and ship-building.

Characteristics of the Yugoslav economic systems

Since 1945, Jugoslavia has been a socialist country. Its break with the USSR came in June 1948; and under the pressure of internal circumstances, Yugoslav socialism has shown far-reaching developments which are still in progress. Two periods can be distinguished. The first was one of imitation of the Soviet model; and the second began with workers' management in industry and is marked by the attempt to find a balance between planning and the decentralisation of economic decisions. The Yugoslav balance of payments shows a chronic deficit. In order to mitigate the effects, the country has been through a succession of currency devaluations. The first, in 1965, was of the order of 66 %. On January 26, 1971 the exchange rate against the dollar, which had been 12.50 dinars, was changed to 15 dinars. Since January 1972, the rate has been 17 dinars to the dollar.

At the end of 1970, the Yugoslav government successfully introduced a stabilisation programme. This includes price control and in some cases a price freeze; changes in trading and currency regulations; and a re-modelling of the fiscal system.

The tendency towards price stabilisation continued through 1972, and the prices for a number of articles were "liberated". Production, exports and

employment showed increases which ran ahead of the target; but the consumption indices are still high, and budget expenditure and investment are on a large scale.

Prospects: the five-year plan, which runs up to 1975, is based on an annual growth of 7.5 % in the social product, a 6.5 % growth in consumption, 12 % in exports and 11 % in imports.

2. Trade between Yugoslavia and the EEC.

Tendencies : The Community is the chief trade partner of Yugoslavia, which is in fact its ninth largest customer. The enlargement of the Community will materially increase the importance of the EEC to Belgrade because it will bring in the various economic relationships existing between Yugoslavia on the one hand, Great Britain, Denmark and Ireland on the other.

The detail of the trade between Yugoslavia, the Community of Six and the enlarged Community is shown in the two following tables :

Exports to Yugoslavia (million dollars)

Exports from	1958	1968	1969	1970	1971
E.E.C.	187.2	701.1	835.6	1144.8	1225.2
Great Britain	36.4	87.3	119.4	178.5	197.2
Denmark	2.7	6.9	8.4	9.4	12.6
Ireland	- -	0.3	0.1	1.3	0.3
Total 9	226.3	795.6	963.5	1334.0	1435.3

Exports from Yugoslavia (million dollars)

Imports from	1958	1968	1969	1970	1971
E.E.C.	125.3	353.2	471.6	552.1	525.6
Great Britain	34.7	60.7	84.9	98.7	113.5
Denmark	1.4	4.4	5.8	6.3	4.9
Ireland	- -	0.1	0.1	0.1	0.1
Total 9	161.4	418.4	562.4	655.2	645.1

Source ; European Statistical Office

In 1971 there was a falling trend in Yugoslav exports (4.3 % for the year), but imports showed a rise of 7.1 %. The share of the Community in Yugoslavia's total exports fell from 33 % in 1970 to 29.2 % in 1971. In the total imports, the Community share declined from 40 % in 1970 to 37.6 % in 1971.

The share of the enlarged Community in Yugoslavia's total exports and imports amounts, respectively, to 41 % and 49 %.

The problems raised by the trade between Yugoslavia and the Community are essentially structural. The main part of Yugoslavia's exports are agricultural; next in importance come cotton textiles followed by machinery and electrical apparatus. Over the past two years the exports of industrial goods have shown a remarkable expansion, especially in chemicals, metals, ship-building and leather goods. The Community market still absorbs 40 % of Yugoslavia's agricultural exports (consisting as to 70 % of meat, 70 % of maize, 40 % of wine). On import into the Community these products are subject to the rules of the joint agricultural policy of the Common Market.

On the medium-term the enlargement of the Community is not likely to have much impact on the non-industrial trade between the Community and Yugoslavia.

In the matter of beef, the Community of Nine is not so large a net importer as the Community of Six; but Yugoslavia has a special export line, consisting of "baby beef", which is produced scarcely at all in the EEC or in other non-member countries. On the medium-term, therefore, no problem arises regarding the market for this product.

Jugoslavia also exports maize to the Italian market; and it does not appear that the enlargement of the EEC will affect this.

A problem may, however, arise for Yugoslav exports of canned ham to Great Britain. Up to the present these have been subject to comparatively low customs duties; but Great Britain, as a member of the EEC, will be applying the levies specified in the joint agricultural policy.

Trade with the Community shows a balance against Yugoslavia, which amounted in 1967 to \$ 285 million, and rose to \$ 699 million in 1971. This deficit is about

half Yugoslavia's total trade deficit; but after the enlargement of the Community the proportion may be nearer 60 %. On the other hand, tourists from Community countries are by far the biggest bringers of foreign currency to Yugoslavia.

3. The agreement with Yugoslavia

The Yugoslav government established contact with the EEC as long ago as 1962, with a view to settling the main problems of its trade with the Community.

Exploratory talks on the technical level took place from January 1965 onwards. The chief desire of the Yugoslavs was to increase the currency receipts in their trade with the Community and thus reduce the deficit in the trade balance.

The negotiations proper began on October 15, 1968. A new phase of the negotiation opened on November 10, 1968 after the Community had agreed to make concessions for Yugoslav beef exports. After a final round of negotiation in February 1970, a three-year agreement was signed in Brussels on March 19, 1970. This agreement expires on April 30, 1973.

Both parties decided to apply immediately the reduced rates of customs duties resulting from the Kennedy Round.

For certain categories of high-quality beef, known as "baby beef", the Community made adjustments in its levies -- i.e. its agricultural protection -- as part of a system of permanent cooperation between the two parties. The agreement, however, provides for the Community to introduce safeguard measures in the event of disturbance in the meat market.

Another arrangement is under discussion regarding imports into the Community of pigmeat from Yugoslavia. The Community has also made an arrangement with Yugoslavia about imports of the latter's wines, the effect of which is that the Yugoslavian exporters have undertaken to conform to certain price levels.

The problems in suspense include questions relating to various Yugoslavian exports, for which Belgrade asks for adjustments in legislation in force in the EEC, or the withdrawal of Community import restrictions. The chief products concerned are tobacco, various types of fish and preserved fish and certain types of seed.

The provisions of the Community agreement with Yugoslavia supercede those contained in the bi-lateral agreements between Yugoslavia and the member countries, if these are identical or incompatible with the Community agreement.

The operation of the agreement is in the hands of a mixed Committee. This provides a form of regular cooperation, through which all suggestions for increasing the trade are now channelled.

4. "Generalised preferences" for Yugoslav industrial exports.

Jugoslavia has the benefit of the generalised preferences system for developing countries, brought into operation by the Community on July 1, 1971.

The system provides, subject to quota ceiling, total ~~exemption~~ exemption from customs duties for all non-agricultural manufactured goods and partial freedom for specific classes of processed agricultural goods.

During the first six months of this arrangement, Yugoslavia reached the ceiling for ten products and the preferences were suspended in 45 cases. A provisional estimate for the second half of 1971 indicates that Yugoslavia used the preferences in respect of 81 of the 117 products subject to quota or special supervision. For 72 of these products, Yugoslavia was the principal beneficiary among the developing countries entitled to the concession.

Great Britain, Denmark and Ireland, which also grant generalised preferences to Yugoslavia, have agreed to come within the Community preference system. Yugoslavia thus hopes to improve the coverage of her trade deficit with the Community.

5. Jugoslavia and the international cotton agreement

Belgrade attaches great importance to the free import into the Community of cotton textiles. Yugoslavia, however, is not a signatory to the GATT long-term agreement on cotton textiles, and therefore does not have the benefit of generalised preferences in relation to them. The Community, however, stated its willingness to extend the concessions to non-signatory countries, subject to the conclusion of agreements on lines similar to the general agreement.

On June 29, the Council of Ministers invited the Commission to open negotiations for an agreement with Yugoslavia relating to cotton textiles.

The advantages to be offered to Yugoslavia, however, must be distinct from those made available to developing countries which are signatories of the long-term agreement and must not be greater than those enjoyed by these developing countries.

The "undertaking analagous to those existing under the long-term agreement" to be asked from Yugoslavia, may comprise a bi-lateral self-limitation agreement, similar to the agreements negotiated by the Community for cotton textiles with seven other supplying countries (Korea, Hong Kong, India, Japan, Pakistan, UAR and Taiwan).

A first negotiating session between Yugoslavia and the Community took place on September 14-15, 1972. This provided an opportunity for both parties to state their positions in the matter, and a further session may take place before the end of the year.

6. Yugoslavia and scientific and technical cooperation (STCO)

At the end of 1970, Jugo-Slavia asked for participation in the activities of the "scientific and technical cooperation" (STCO) group, which operates under the aegis of the Community Council of Ministers. Since May 1971, a representative of Yugoslavia has attended the STCO group meetings, which include not only the "Six" but also Great Britain, Denmark, Norway, Ireland, Austria, Finland, Portugal, Sweden, Switzerland, Greece, Turkey and Spain.

Following the conference at ministerial level held on November 22, 1971, Yugoslavia has signed six of the eight agreements approved by the member countries of STCO. These relate to tele-communications, metallurgy, nuisances, air pollution and water pollution.

7. Renewal of the EEC-Yugoslavia trade agreement

In November 1971, and again in March and July 1972, the Yugoslav government sent in three memoranda, informing the Community of that country's desire to negotiate a more extensive trade agreement.

During its meeting of June 5 and 6, 1972, the Council of Ministers invited the Commission to begin exploratory conversations with a view towards the negotiation of this new accord. These took place on November 27 and 28, 1972.

Belgrade is understood to be seeking a broadening of the commercial and economic cooperation provisions, by inserting in the new agreement an "evolution" clause, by which the two parties would "express their intention of defining the principles governing the gradual enlargement of economic cooperation, in parallel with the development of the Community and its policy in relation to third countries".

The Commission will soon inform the Council of the evolution of the exploratory conversations and take a position on the jugoslav demands.

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