

No. 12/1980

February 26, 1980

## YUGOSLAVIA AND THE EUROPEAN COMMUNITY SIGN A NEW COOPERATION AGREEMENT

On February 25, EC Commission Vice-President Wilhelm Haferkamp and Yugoslav Foreign Trade minister Stojan Andov signed a new cooperation agreement. This agreement, which is the result of a three-year long negotiation, defines in the spirit of detente and more particularly of the Helsinki final act, the basis for cooperation between the European Community and Yugoslavia, a European and Mediterranean non-aligned state, and member of the group of the 77 developing countries.

This is the third cooperation agreement signed between the two entities since 1970 and, like the others, it includes most-favored-nation treatment. The main goal of the new agreement is to reduce the deficit of the Yugoslav balance of payments in relation to the Community. This deficit amounted to \$3 billion in 1979. The agreement represents therefore an attempt to ease the access of Yugoslav products to the Community markets and to foster cooperation in a number of crucial areas like industry, technology and investment promotion.

### AGRICULTURE

The exports of Yugoslav beef to the Community were the single most important issue facing the negotiators. It has been agreed that Yugoslavia will be allowed to export 34,800 metric tons of beef per year duty free to the EC. This represents a very large quota especially if one takes into account the present condition of the EC meat market.

Yugoslavia will also be granted tariff quotas for wine (12,000 hl/yr) and tobacco (1,500 t/yr) and tariff concessions for its exports of Sljivovica (plum brandy) and morello cherries.

These concessions are above and beyond what Yugoslavia has already obtained under the Community's generalized system of preferences (GSP).

#### INDUSTRY

The new agreement allows the tariff-free entry of Yugoslav industrial goods into the EC with the following exceptions:

- 6 non-ferrous metals for which a 4-year gradual tariff cutting process has been set up.
- 29 sensitive manufactured items such as shoes, furniture, woodworks, some fertilizers for which Yugoslavia is very competitive will face a tariff ceiling that will be dismantled gradually.

As far as textile products are concerned, Yugoslavia agreed to exert voluntary restraint in its exports to the Community but obtained concessions that are equal to 10 times the amount of the GSP.

#### FINANCIAL COOPERATION

Yugoslavia will be granted 200 million ECU\* over a 5 year period in the form of loans from the European Investment Bank at normal market conditions.

#### CIRCULATION OF MANPOWER

Yugoslavia is now granted the same status as the Maghreb countries and Portugal as far as its exports of manpower to the Community are concerned.

#### CONCLUSION

The agreement is of indefinite duration but its trade segment will be reviewed in 5 years. The ultimate goal is to arrive at a free-trade relation between the EC and Yugoslavia. The achievement of this long-term objective will essentially depend on the pace of Yugoslav economic development.

During a press conference held in Brussels, Mr. Andov emphasized that "the new agreement is fully consequent with Yugoslavia's non-aligned status" and that his country "has economic relations with all the countries of the world and all the regional associations including COMECON, with which Yugoslavia has already signed an agreement."

The agreement will now have to be ratified by Yugoslavia and the member States of the EC.

\*1 ECU = \$1.44 (third week of February).