

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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COMMUNITY OFFICIALS PAY OFFICIAL VISIT TO YUGOSLAVIA

EC Commissioner Finn Olav Gundelach and EC Council of Ministers President in office Max van der Stoep begin a two-day official visit to Belgrade today, the latest in a series of exchanges that have been going on since the early Seventies. The joint statement to be signed at the end of this visit will stress their desire to strengthen relations in every field between Yugoslavia and the European Community.

Yugoslavia is at one and the same time a European country, a non-aligned country, and a developing country. It is associated by cooperation agreements with the main economic groupings in Western Europe (the Organization for Economic Cooperation and Development (OECD) since 1961 and the European Community since 1970) and in Eastern Europe (the Council for Mutual Economic Assistance (COMECON) since 1964). Yugoslavia's median position between East and West is clearly seen in the United Nations (UN) Economic Commission for Europe, whose Executive Secretary has been a Yugoslav diplomat for the past 20 years. At the same time, Yugoslavia plays a world role as a founder of the non-aligned group of nations and as a leader of the Group of "77" developing countries within the UN Conference on Trade and Development (UNCTAD).

The EC Yugoslavia Non-Preferential Agreement

The Community signed its first agreement with Yugoslavia on March 19, 1970. A non-preferential agreement, it encouraged Yugoslavian exports of "baby beef" to the Community.

A second non-preferential agreement, including provisions for baby beef, was signed June 26, 1973, for a five-year term. This, the Community's first commercial cooperation agreement with a developing country, encourages cooperation to develop mutual trade, to eliminate non-tariff and quasi-tariff barriers, to foster trade prospection and promotion, and to help broaden the number of products traded.

EC Generalized Tariff Preferences and Yugoslavia

Yugoslavia is one of the countries which has benefited the most from the Community's system of generalized tariff preferences since its beginning in July 1971. In 1974, Yugoslavia was the second biggest beneficiary, after Brazil.

The Community system of generalized tariff preferences allows duty-free entry for most manufactured and semi-manufactured goods and partial exemption within ceilings for agricultural and certain sensitive, industrial products from each developing country taking part.

In four years, 1972-75, Yugoslavian exports of 12 sensitive and semi-sensitive products, including leather shoes, reached the permissible ceilings under the scheme. Certain Yugoslav exports reached their ceilings in 1975, even though the EC Council of Ministers, in December 1974, had set special ceilings, 15 per cent above the normal one, for 16 Yugoslav exports.

In this connection, the Community and Yugoslavia have concluded an agreement for the orderly marketing of textile products with similar provisions to those of the Long Term Cotton Textiles Agreement.

EC-Yugoslavian Trade

Yugoslavia has gone from the Community's twenty-third to its eighth best customer, while remaining its twenty-first best supplier. In 1975, more than 22.8 per cent of Yugoslavia's exports went to the Community, while 41 per cent of its imports came from the Community.

Community Exports to Yugoslavia (In millions of units of account)*

<u>Year</u>	<u>1968</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
	807	1,757	2,704	2,619
<u>Index 1968 = 100</u>	<u>100</u>	<u>217</u>	<u>335</u>	<u>324</u>

Community Imports from Yugoslavia

	479	1,150	1,140	979
<u>Index 1968 = 100</u>	<u>100</u>	<u>240</u>	<u>238</u>	<u>204</u>

*One trade unit of account averaged \$1.00 until 1971, \$1.25 in 1973 and 1974, and \$1.32 in 1975.

Trade Problems

Yugoslavia's deficit on trade with the Community is growing steadily, because of its efforts to industrialize and because of the structural weakness of its exports in raw materials and agricultural products (meat, corn, wine).

The Community's Trade Balance with Yugoslavia (in millions of units of account)

<u>Year</u>	<u>1968</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>Balance</u>	<u>+328</u>	<u>+604</u>	<u>+1,564</u>	<u>+1,640</u>

This trading deficit with the Community represented 47 per cent of Yugoslavia's deficit on all its foreign trade in 1974 and 62 per cent of it in 1975.

In 1975, Yugoslavia's exports to the Community consisted 61.8 per cent of industrial products, 18.2 per cent of agricultural products, and 21 per cent of raw materials. Industrial products made up 90 per cent of Yugoslavia's imports from the Community.

Since the beginning of the Community's meat surplus, Yugoslavian beef exports to the Community, which make up 25 per cent of all Yugoslavian exports to the Nine, have been a touchy trade issue. Since July 1974, Belgrade has been concerned about the Community's suspension of beef imports under the safeguards clause. In April 1975, however, the Commission decided to reopen the Community market gradually to imports of certain types of beef.

EC-Yugoslavian Cooperation on Science and Technology

Since 1971, Yugoslavia has participated in the meetings of the Working Party on Scientific and Technical Cooperation (COST) whose members include the Nine plus Norway, Austria, Finland, Portugal, Sweden, Switzerland, Greece, Turkey, and Spain. The members of COST pool resources to do research in areas of interest to all, or to enough of them to make a project feasible.

Yugoslavia has concluded agreements in the areas of telecommunications, metallurgy, and air and water pollution. Yugoslavia is also party to the 1973 Convention for the Creation of a European Center for Meteorological Forecasting.

EC Economic Aid to Yugoslavia

In January 1976, the EC Council of Ministers authorized the Community's long-term finance institution, the European Investment Bank (EIB), to lend money to Yugoslavia for investment projects of common interest, such as a highway linking Trieste to Greece through Yugoslavia. Pending a formal decision by the EIB Board of Governors, loans totaling up to about \$55.5 million are foreseen. This will be the first time a state-run economy will have had access to the EIB.

