



65/83

THE EUROPEAN COMMUNITY AND YUGOSLAVIA

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INTRODUCTION

The Joint Declaration signed in Belgrade on 2 December 1976 at the end of the official visit by Mr Van der Stoep, then President of the Council of the European Communities, and Mr F.O. Gundelach, Member of the Commission, marked a turning-point in relations between the Community and Yugoslavia.

This Declaration constitutes the charter of relations between Yugoslavia and the Community.

In the Declaration Yugoslavia expressed its wish to strengthen its cooperation links with the Community on the basis of equality between the Parties and Yugoslavia's special position as a non-aligned, Mediterranean country which is a member of the Group of 77.

The Cooperation Agreement between Yugoslavia and the Community, signed on 2 April 1980, meets these requirements.

1. COMMUNITY-YUGOSLAVIA RELATIONS

Background

Relations date back to the non-preferential Agreement signed in Brussels in 1970, which expired on 30 April 1973. It was succeeded by a second five-year Agreement signed in 1973, which was in force up to 30 September 1978 and was then tacitly extended. Under the terms of this Agreement the two Parties accorded each other most-favoured-nation treatment. The EC-Yugoslavia Joint Committee was an important feature of the Agreement, which contained a future developments clause that enabled Yugoslavia and the Community to develop economic cooperation as an element complementary to trade in areas of mutual interest.

The two Parties decided to implement the future developments clause by setting up two subcommittees, one for agriculture and one for industry, with the task of gathering information required for the development of economic cooperation in areas of common interest and examining projects to develop such cooperation on the markets of the Community and Yugoslavia and also on the markets of other countries.

From 1974 onwards relations between the Community and Yugoslavia were intensified at the level of ministerial meetings and the Joint Committee.

At a ministerial-level meeting of the Joint Committee in Brussels on 29 March 1977, the Yugoslav and Community Delegations noted the necessity of commencing preparations for negotiations aimed at the conclusion of a new agreement with a wider field of application to replace the current Agreement.

This new agreement was to facilitate among other things a more dynamic development of trade and to encourage new forms of cooperation covering the areas cited in the Joint Declaration.

The Joint Committee, desiring to give a practical follow-up to the guidelines laid down in the Declaration, decided to set up a third subcommittee with the task of identifying sectors and studying projects in line with the Declaration.

During the second half of 1977 a number of European personalities visited Yugoslavia.

Mr W. Haferkamp, Vice-President of the Commission with special responsibility for external relations, visited Belgrade from 11 to 17 September 1977 with a view to investigating ways and means of strengthening cooperation between Yugoslavia and the Community.

Mr Henri Simonet, then President of the Council, during an official visit to the Yugoslav capital on 23 and 24 September 1977, stressed the importance of even closer relations between the Community and Yugoslavia.

On 17 January 1978 the Council approved draft directives to the Commission for the opening of negotiations with Yugoslavia. In the course of the first two negotiating sessions, which took place in March and April 1978, it became clear that the scope of the directives would have to be enlarged.

Following discussion of the matter by the Council on 6 June and exploratory talks between Mr Haferkamp and the Yugoslav authorities in June 1978, the Commission drew up fresh offers.

On 6 February 1979 the Council adopted new proposals for directives.

The second phase of negotiations began in July 1979. The outcome was that the Community agreed to improve its offer, above all in the field of trade. The Council, at its meeting in January 1980, decided that the negotiations should be concluded swiftly. The final phase of the negotiations began on 1 February and ended with the initialling of the Cooperation Agreement on 25 February 1980.

Financial cooperation

A decision taken by the Board of Governors of the European Investment Bank on 22 December 1976 authorized the EIB to grant loans from its own resources amounting to 50 million ECU¹ for the financing of projects of mutual interest to Yugoslavia and the Community.

¹ 1976 :	1 ECU = US \$ 1.11 = Din 20.33
1977 :	1 ECU = US \$ 1.14 = Din 20.88
1978 :	1 ECU = US \$ 1.27 = Din 23.75
1979 :	1 ECU = US \$ 1.37 = Din 26.02
1980 :	1 ECU = US \$ 1.39 = Din 34.62
1981 :	1 ECU = US \$ 1.12 = Din 39.77
1982 :	1 ECU = US \$ 0.98 = Din 50.00

In November 1977 the Bank made an initial loan for an amount of 25 million ECU (approximately Din 522 million) to help finance the extension of the high-tension electricity network and its connection to the Greek and Italian networks, and via the latter to the networks of other European countries.

Yugoslavia received a second loan of 25 million ECU in November 1978 as a contribution to the financing of five sections of the future trans-Yugoslavia motorway.

These two financing decisions fell within the framework of the policy of cooperation between the European Community and Yugoslavia defined in the Belgrade Declaration of December 1976.

2. EC-YUGOSLAVIA COOPERATION AGREEMENT

This Agreement, which has been concluded for an unlimited period, is the only one of its kind.

In the trade field the aim of the Agreement is to promote trade between the Contracting Parties, due account being taken of their respective levels of development and the need to ensure a better balance in their trade, with a view to improving the conditions of access for Yugoslav products to the Community market.

This objective is to be achieved in stages. The duration of the first stage under the trade arrangements laid down by the Agreement is set at five years. One year before expiry of this period, the Contracting Parties will open negotiations to determine the trade arrangements that are to apply subsequently, in the light of the results of the Agreement and of the economic situation in Yugoslavia and the Community.

Yugoslavia will grant the Community most-favoured-nation treatment.

Once the Agreement is in force, imports of Yugoslav industrial products will be free of customs duties and quantitative restrictions, subject to a system of tariff ceilings for certain products. In addition, the Community and Yugoslavia will determine in the Cooperation Council, special conditions governing access to the Community market for certain products considered to be particularly sensitive.

In agriculture, the Agreement makes provision for specific tariff concessions on products of particular interest to Yugoslavia, such as morello cherries, slivovica, wine and Macedonian tobacco, and for a reduction of the levy on imports of "baby beef" within the limits of a monthly quota.

Yugoslavia will be able to introduce or increase customs duties or quantitative restrictions in so far as such measures are necessary for its industrialization and economic development.

The cooperation instituted by the Agreement is comprehensive.

Industrial cooperation will be extended. The Agreement proposes that the Business Cooperation Centre should be opened to Yugoslav undertakings. (The function of the Centre is to bring into contact small and medium-sized firms of different nationalities which are interested in cooperating or working more closely with each other).

Meetings will be organized between industrial policy-makers, promoters and economic agents in Yugoslavia and the Community.

Cooperation in the fields of energy and scientific and technological research will be extended to new areas not currently covered by COST.

In the field of energy, Community and Yugoslav undertakings will be encouraged to participate in research, production and processing programmes in connection with Yugoslavia's energy resources.

The aim of cooperation in agriculture will be to step up exchanges of information on the guidelines of the respective agricultural policies and to seek ways of achieving complementarity.

In the transport sector, the aim of cooperation will be to bring about improvements in transport services and traffic.

Provision is made for promoting cooperation in the sphere of tourism and in the environmental and fisheries sectors.

In the field of labour, the Agreement accords Yugoslav workers freedom from discrimination in the matter of employment conditions. The Agreement is supplemented by an exchange of letters providing for exchanges of views between the authorities of Yugoslavia and the Member States on the situation of Yugoslav workers in the Community, notably the social and cultural aspects.

The Agreement also stipulates that the two parties are to devote particular attention to cooperation activities to promote the free zone established between Italy and Yugoslavia by the Osimo Agreements, which is of major importance for the development of economic relations between the Community and Yugoslavia.

In order to ensure continuity in financial cooperation, the Cooperation Agreement provides for a sum of 200 million ECU to be made available to Yugoslavia in the form of EIB loans over a period of five years. Under these arrangements Yugoslavia received a 67 million ECU loan on 2 December 1980.

The Agreement provides for the establishment of a Cooperation Council to ensure that the Agreement's aims are attained and that it functions properly. Special provisions have been included to give the Cooperation Council a particular role. One of its functions is to implement unique cooperation procedures which will enable the Contracting Parties to find

joint solutions to any problems which might arise, so that economic and trade cooperation can develop in accordance with the Agreement, notwithstanding the difficult international economic situation.

The Agreement does not affect Yugoslavia's place in the list of beneficiaries of the Community's generalized preferences scheme.

Up to and including 1980, Yugoslavia was a major beneficiary under the generalized scheme of preferences (GSP)¹ established by the Community on 1 July 1971.

In 1979 and 1980, use of the scheme was worth 563 905 000 ECU and 466 788 000 ECU respectively to Yugoslavia. From 1981 onwards the situation changed and Yugoslavia has made less use of the GSP since the Cooperation Agreement provides for more advantageous bilateral arrangements.

The Cooperation Agreement breaks new ground and by taking in a number of sectors of cooperation goes considerably further than the other Mediterranean agreements.

It will enable Yugoslavia and the European Community to give concrete expression to the Belgrade Joint Declaration by providing them with the means of strengthening, deepening and diversifying their cooperation links.

3. YUGOSLAVIA AND THE ENLARGED COMMUNITY

On 1 April 1982 an Additional Protocol to the Cooperation Agreement was signed. This Protocol establishes the rules governing imports of products originating in Yugoslavia consequent upon the accession of Greece to the Community.

The Protocol provides for an increase in the tariff ceilings fixed by the 1980 Agreement, in recognition of existing trade links between Greece and Yugoslavia. In addition, it establishes transitional measures allowing Greece to apply progressively the preferential arrangements laid down by the Cooperation Agreement.

As a result of the difficulties encountered by Yugoslavia in exporting "baby beef" to the Community since the accession of Greece, the Community decided unilaterally to grant a reduction of 50% of the basic levy applied to imports of this product into the Community. These arrangements came into effect on 7 December 1981.

Lastly, the Additional Protocol allows for a certain flexibility in the use of the monthly export volume of "baby beef" granted to Yugoslavia.

¹ This scheme consists in complete freedom from customs duty for all industrial products - subject to certain quantitative limits - and partial exemption, in most cases, for certain processed agricultural products.

4. THE TEXTILES AGREEMENT

In 1982 negotiations took place between the Community and Yugoslavia on establishing new arrangements for trade in textile products. An Additional Protocol to the Cooperation Agreement, forming an integral part of that Agreement and according with its aims and principles, was initialled on 26 September. The Protocol is, therefore, different from the usual textile agreements negotiated by the Community with its other partners, notably inasmuch as it contains provisions establishing tariff arrangements.

It also differs from the previous agreements concluded with Yugoslavia in 1976 and 1977, which were concerned only with the quantitative aspects of trade and for which the legal basis was the MFA¹.

Under the new arrangements for the years 1983 to 1986 inclusive, textile products originating in Yugoslavia are given broader access to the Community market than hitherto. Thirteen products are subject to voluntary restraint, including the following:

- cotton yarn,
- cotton fabrics,
- woven fabrics of man-made fibres,
- pullovers,
- woven trousers for men and women,
- women's blouses,
- men's shirts.

In addition, the Community granted access for products resulting from operations carried out under the outward processing traffic (OPT) arrangements², thus placing Yugoslavia among the Community's major partners.

Lastly, provision was made for tariff ceilings under which 50% of total access to the Community market for products originating in Yugoslavia is free of duty (total access means normal imports plus OPT imports).

The Protocol emphasizes the importance both parties attach to OPT as a special form of industrial and trade cooperation which they will endeavour to maintain and develop.

¹ MFA = Arrangement regarding International Trade in Textiles, known as the "Multifibre Arrangement".

² OPT = outward processing traffic. This is a special form of industrial cooperation whereby a Community manufacturer (the principal) hands over part of the production process to a partner (subcontractor) in a non-member country. The subcontractor is sent Community semi-manufactures (fabrics) and, where appropriate, the necessary technical assistance for making up finished products, which are subsequently reimported into the Community.

5. YUGOSLAVIA AND SCIENTIFIC AND TECHNICAL COOPERATION

Since 1971, Yugoslavia has been a member of the "European Cooperation in the field of Scientific and Technical Research" group (COST), which operates under the auspices of the Council of the European Communities and includes, in addition to the ten Community countries, Austria, Finland, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and Yugoslavia.

In the COST context, Yugoslavia is participating in the following Community programmes:

- teleinformatics (part of this project is being carried out at the Community's Joint Research Centre at Ispra);
- physico-chemical behaviour of atmospheric pollutants;
- analysis of organic micropollutants in water;
- effect of thermal processing on the quality and nutritive value of food (a meeting of the Management Committee for this project was held in Zagreb in November 1982).

Yugoslavia has signed Memoranda of Understanding¹ on implementation of the following COST projects:

- use of digital techniques in telecommunications networks;
- electronic traffic aids on main trunk roads;
- production of single-cell proteins and their use for animal feed;
- mineral enrichment of basic crops.

Yugoslavia has also signed the intergovernmental agreement setting up a European centre for medium-term weather forecasts.

Yugoslav experts have made and are continuing to make an important contribution to the development and implementation of these projects.

¹ Memoranda of Understanding are the expression of the will of the signatories to coordinate projects carried out in the participating States on the basis of national law in such a way that duplication is avoided and results can be exchanged without infringing industrial property rights.

6. GROWTH OF EC-YUGOSLAVIA CONTACTS

Contacts in both directions have been numerous since official relations were established between the Community and Yugoslavia.

The Community's participation in the Zagreb International Fair from 14 to 23 September 1979 marked the beginning of a Community presence in Yugoslavia. A major information campaign was mounted for the occasion, backed up by the joint participation of the Member States and the Commission.

In order to inform Yugoslav economic operators about the implementation of the Community-Yugoslavia Cooperation Agreement, the Directorate-General for Information in collaboration with the Directorate-General for External Relations of the Commission organized, during the second half of 1980, three series of seminars in Yugoslavia's six republics and its two autonomous provinces. The first series was held on 4, 5 and 6 June 1980 at Zagreb and Ljubljana; the second series followed at Belgrade on 25 June, Novi Sad on 26 June and Pristina on 27 June 1980; the third series took place at Sarajevo on 14 and 15 October, Skopje on 16 and 17 October and Titograd on 20 October 1980.

The foundations of long-term cooperation between the Federal Information Secretariat of the Socialist Federal Republic of Yugoslavia and the Community's Directorate-General for Information were established in Belgrade on 2 December 1980. Further discussions took place when the Federal Secretary for Information, Mr Mirko Marinovic, visited the Commission from 22 to 24 September 1982.

The first visit to Yugoslavia by a group of journalists from the Member States of the Community, from 26 to 31 October 1981, was one of the chief manifestations of the cooperation established. A delegation of Yugoslav journalists led by Mr Mirko Marinovic returned the visit from 31 January to 10 February 1983, staying in Brussels and visiting the Netherlands, France and Luxembourg.

The Commission is participating in the fiftieth Agricultural Fair at Novi Sad from 13 to 22 May 1983.

The Commission opened a Delegation in Belgrade at the end of 1980. It is working to achieve a better understanding of mutual problems and the development of fruitful collaboration.

Statistical Annex

Community - Yugoslavia trade

Trend of trade between Yugoslavia and the European Community

In 1980 Yugoslavia occupied 14th position among the customers of the Community (of Ten) and was in 26th position among its suppliers.

The same year, more than 26% of Yugoslavia's exports went to the Community and 35% of its imports were of Community origin.

In 1981 Yugoslavia occupied 16th position among the Community's customers and was in 28th position as a supplier: 23% of Yugoslavia's exports went to the Community and 35% of its imports were of Community origin.

Trade between the Community (of Ten) and Yugoslavia

(million ECU)^{1,2}

Year	1968	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 (January- August)
Exports to Yugoslavia	830	1833	2900	2840	2725	3636	3753	4463	4199	4360	2829
% growth	100	221	349	342	328	438	452	538	506	525	
Imports from Yugoslavia	522	1207	1226	1062	1516	1683	1748	2078	2172	2210	1799
% growth	100	231	235	203	290	322	335	398	416	423	
Trade balance	+308	+626	+1674	+1778	+1209	+1953	+2005	+2385	+2027	+2150	+1030

¹ Source: SOEC (Statistical Office of the European Communities).

² In 1982: 1 ECU = US \$ 0.98 (average January-November).

Yugoslavia's trade deficit with the Community represented the following percentages of its overall trade deficit:

61% in 1976
55% in 1977
56% in 1978
51% in 1979
47% in 1980
63% in 1981.

The breakdown of Yugoslav exports to the Community and Yugoslav imports of Community origin is as follows:

Yugoslav exports to the Community (10)

	1977	1978	1979	1980	1981
Industrial products %	61.7	63.4	69.0	72.6	74.4
Agricultural products %	38.3	36.6	31.0	27.4	25.6

Yugoslav imports from the Community (10)

	1977	1978	1979	1980	1981
Industrial products %	95.3	96.2	95.4	94.9	93.3
Agricultural products %	4.7	3.8	4.6	5.1	6.7

Source: UN, Geneva

EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "European Information" are still available, and may be obtained from:

Directorate-General for Information
Documentation Service, Berl. 2/74 A
Commission of the European Communities
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- 37/80 List of main EEC agreements with other countries
- 40/80 The Community of Ten in figures
- 41/81 The Generalized System of Preferences and the European Community
- 43/81 Spain and the European Community
- 44/81 The European Community's Textiles Trade
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