NOTIFICATION UNDER PARAGRAPH 3 OF THE UNDERSTANDING REGARDING
NOTIFICATION, CONSULTATION, DISPUTE SETTLEMENT AND SURVEILLANCE
AND PARAGRAPH 3 OF THE DECLARATION ON TRADE MEASURES TAKEN FOR
BALANCE-OF-PAYMENTS PURPOSES

Communication from Yugoslavia

The Permanent Mission of Yugoslavia has notified the attached
information concerning the import régime in force as of 1 January 1986.

The Law on Trade in Goods and Services with Foreign Countries is the
basic piece of legislation regulating the method and régime of imports while
import payments are regulated by the Law on Foreign Exchange Operations.

The basic features of the mentioned acts are as follows:

- payments for regulated imports are effected on the basis of an
  established right to such imports;

- the relevant legislation specifically regulates foreign economic
  relations under anticipated dinar convertibility conditions,
  i.e. when the balance of payments is in equilibrium as well as when
  this is not the case.

The transitional arrangements, pending the convertibility of the dinar,
 i.e. a stable equilibrium of the balance-of-payments, establish a firm bond
between the trade and payment régimes. Thus the volume of imports has been
adjusted to payments possibilities, so that the import régime and the payment
régime contain:

- liberalized imports (LB) also signifying free payment,

- allocation of import quotas meaning at the same time payments
  within the established quota (Kk; Kv);

- granting import licences (D) which also provides for payment on the
  basis of the licence obtained;

- conditionally liberalized imports (LBO) carried out within an
  established right to payment.¹

The extent of the right to payment for conditionally liberalized imports
is calculated on the basis of the effected imports of goods (except for
imports of equipment, imports based on long-term co-production ventures,
¹A complete listing of products covered by the import régime has been
provided to the secretariat and will be issued as an addendum to NTM/W/6/Rev.3.
imports based on investments by foreign persons in domestic organizations of associated labour) and invisible payments of every entity in the previous year.

The right to payment of conditionally liberalized imports consists of the right to payments for imports of goods as well as of the right to invisible payments falling under this import régime.

Depending on the export activity of every social-legal entity, the calculated extent of the right to payment of conditionally liberalized imports is revised. The revision is carried out by the authorized bank for every entity on the basis of its quarterly performance.

In this way a link has been established between the right to import and the extent of the right to payment depending on the achieved export results. The balance-of-payments scenario of Yugoslavia, adopted every year by the SFRY Assembly at the same time with current economic policy documents sets forth the total rights to payment within each of the import régimes. In line with the balance-of-payments projection the law provides for the possibility of revising these rights upwards or downwards. The import of some products is subject to prior approval (S-prior approval) of the Federal Secretariat for Foreign Trade. The aim of this approval is to promote imports from developing countries by direct purchases of products originating in those countries, such as cocoa, tropical fruit, spices, etc.

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1 The term invisible payments has been defined under article 142 of the Law on Foreign Exchange Operations. This involves expenses, e.g. business trips abroad, the expenses of branch offices operating abroad, registration fees, taxes, dues and membership fees related to operations abroad.