Note by the Secretariat on the Replies Given by the Yugoslav Delegation to Specific Questions

1. At its first meetings, on 3-5 November 1965, the Working Party had a preliminary discussion and agreed to reconvene on 2 December to continue its work. In the interval, governments were requested to study the material already available (L/2484, L/2488, L/2494, L/2499, BOP/53) and to indicate questions on which they would wish to discuss with the Yugoslav delegation in the Working Party. Such questions were put forward by a number of contracting parties, either in writing or orally in the course of the resumed meetings on 2-3 December. The delegation of Yugoslavia replied to or commented on each of these questions.

2. At the request of members of the Working Party the secretariat has prepared the present note on the answers given by the Yugoslav delegation to the various questions. It is intended for use as reference by members of the Working Party. A draft report of the Working Party as well as a draft protocol of accession is being prepared by the secretariat and will be circulated at a later stage.

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Questions submitted by the United States

1. Can the further evolution of the economic reform programme be expected to bring about changes in the regulations limiting the representation of foreign firms in Yugoslavia which would assist in bringing trading practices into closer alignment with GATT principles?

Reply: For the moment it is not possible for foreign firms to set up agencies in Yugoslavia. Representatives of foreign firms are free, however, to come to Yugoslavia and enter into contact with Yugoslav enterprises in order to sell their products. There are about fifty Yugoslav enterprises specializing in the representation of foreign firms; they represent altogether around 2,500 foreign companies. The new Foreign Trade Law, which is still only at the draft stage and has not yet been approved by the legislature, would, when it comes into force, make it possible for foreign companies to set up agencies of their own in Yugoslavia.

2. The recent balance-of-payments consultations disclosed that steps are being taken to remove existing quantitative restrictions. To what extent are the remaining quantitative restrictions justified for balance-of-payments purposes? Will these be applied in a non-discriminatory fashion?

Reply: The quantitative restrictions are maintained for balance-of-payments reasons. They will be relaxed and removed as and when the balance-of-payments situation permits. The restrictions are applied on a non-discriminatory basis. The only distinction in the treatment of imports from different sources is between imports from convertible currency area countries and from countries whose currencies are not fully convertible and with which bilateral payments agreements are in force.

3. Do any form of subsidies to enterprises as dealt with in Article XVI remain after the removal of export premiums?

Reply: All export subsidies have been removed with the exchange and financial reform on 26 July 1965.

4. What are the intentions of the Yugoslav Government regarding the termination of bilateral trade and payments arrangements?

Reply: Bilateral trade and payments agreements are in force with twenty-nine countries. It is the intention of the Yugoslav Government to eliminate them as soon as possible with the concurrence of the partner countries concerned. In the trade with countries with a planned economy, however, such agreements represent a convenient or necessary form of arrangement and may therefore have to be retained.

5. What aspects of the new tariff law or other economic regulations would regulate or affect Yugoslav commitments under GATT Article VI (Anti-Dumping and Countervailing Duties), Article VII (Valuation for Customs Purposes) and Article XVII (State-Trading Enterprises)?
Reply: Article 25 of the Yugoslav Tariff Law contains provisions relating to anti-dumping duties which are considered to be fully in conformity with Article VI of GATT, Yugoslavia is a full member of the Customs Co-operation Council and has signed its Convention on Valuation, which is fully applied by Yugoslavia. There are no State-trading enterprises in the sense of Article XVII of GATT in Yugoslavia; all Yugoslav foreign trade enterprises conduct their business on normal market considerations and on a competitive basis.

6. In what respects, if any, is the new tariff not applied on a most-favoured-nation basis?

Reply: The new tariff is a one column tariff. There is, however, a provision which makes it possible for higher duties to be imposed on imports from countries which do not grant Yugoslavia most-favoured-nation treatment. There has been no occasion for this provision to be invoked.

7. What measures, other than tariffs and quantitative restrictions imposed for balance-of-payments reasons, limit the access of United States exporters to the Yugoslav market?

Reply: There are no such measures. Imports are permitted to the full extent to meet internal demand and only price and quality considerations are taken into account by the importing enterprises. In 1963/64 Yugoslavia's imports from the United States were four times as great as her exports to the United States.

Questions submitted by France

8. Documents L/2484, paragraph 2(c) and L/2488, Section C, paragraph 20 announce the removal of export bonuses introduced in 1961 for monetary reasons. However, are export subsidies introduced for other reasons being maintained? If so, what is their status in relation to Article XVI of the General Agreement?

Reply: There are no export subsidies. Cf. reply to question 3 above.

9. Import of automobiles by private persons have been authorized but on condition that applicants are possessed of the foreign exchange necessary. Can it be expected that a true liberalization of imports involving the granting of foreign exchange to importers will be forthcoming in the near future?

Reply: Individuals who want to import motor cars for private use must possess the foreign exchange balance required, but if they do so, there are no limitations as to where the cars can be bought. Motor cars imported for commercial purposes are on the restricted imports list. Imports of a certain number of cars have been permitted, both from Western and Eastern Europe. The restriction on automobiles is applied for balance-of-payments reasons and its removal will depend on the balance-of-payments situation; it will be removed as soon as it is no longer necessary for that purpose.
10. What is the transit system, in particular in relation to Article V of the General Agreement?

Reply: There are no restrictions on transit nor are there any taxes or other special regulations affecting it, apart from such normal restrictions as those applying to the traffic in arms, narcotics, etc. Bilateral road traffic agreements have been negotiated with certain countries permitting mutual exemption from road taxes for transit traffic.

Questions submitted by the United Kingdom

11. It is understood that individual production enterprises are given allocations of foreign currency based on their export earnings. The Yugoslav delegate can perhaps confirm that this measure is taken purely for balance-of-payments reasons; that, in particular, expenditure of any foreign currency will not be specifically geared to earnings of that currency (since this would effectively amount to an attempt to achieve bilateral trading balances); and that this form of control will be removed as soon as the balance of payments permits.

Reply: There are only three cases where the expenditure of foreign currency is linked to earnings of currency:

1. Since global quotas under general licence were reduced the enterprise concerned can get an additional allocation of foreign currency in exchange for an undertaking to increase exports by the same amount.

2. In cases of imports subject to quotas, an enterprise may ask for additional exchange after the quotas have been distributed, on the understanding that it will increase exports correspondingly.

3. In cases where increased production and export possibilities justify it, an additional foreign exchange allocation may be granted for imports of the necessary equipment.

In all such cases the linked imports and exports must relate to the same currency area (the convertible currency area or the bilateral agreement countries) but otherwise the foreign exchange is granted on a non-discriminatory basis. These measures are of a temporary nature, in view of the present balance-of-payments difficulties, and good results have been achieved so far. When the balance-of-payments situation makes it possible, the removal of the restrictions in question will naturally entail the discontinuation of the practices.

12. The United Kingdom would welcome reassurance that the Republican Governments have no powers to impose controls on foreign trading or foreign exchange more stringent than or additional to those imposed by the Federal Government (i.e. the Yugoslav Federal Government will take due account of Article XXIV:12 of the GATT).

Reply: According to the Constitution, foreign trade is the sole responsibility of the Federal Government. There are no State-trading enterprises run by the Republics. Nor do these have power to accord monopoly rights to any enterprise.
13. It would be helpful if the Yugoslav delegate could amplify the conditions governing the registration of foreign trade enterprises mentioned in paragraph 8 of Annex I to L/2488. Are there any other conditions than those mentioned? Will the new foreign trade law, if passed, make any significant changes in these conditions?

Reply: In addition to the information given in L/2488 it may be noted that under the present law production enterprises are permitted to engage in foreign trade; in order to register for this purpose a production enterprise has to fulfil the requirement that its exports would not be lower than $500,000 a year.

14. It has been suggested that the new law on foreign trade might permit foreign enterprises to set up agencies in Yugoslavia. Can the Yugoslav delegate give an indication of the conditions which are likely to govern the setting-up and operation of such agencies, and of the kinds of activity that are likely to be permitted?

Reply: At present only specialized firms are allowed to represent foreign firms. Under the draft law which is pending approval by the legislature, however, all foreign trade enterprise will be allowed to represent foreign companies. Furthermore, one foreign company may have several representations in Yugoslavia, if it so wishes. If the draft law is approved, possibilities will also be opened for foreign companies to establish their own agencies in Yugoslavia.

15. Presumably goods, for the purpose of import control, will continue to be classified under five categories. The United Kingdom would be grateful for clarification of certain aspects:

   Category (i) Free imports: Is it correct that there are no restrictions on the importation of goods in this category provided that the enterprise has the necessary foreign exchange available?

Reply: Imports of these products are entirely free.

   Category (ii) Imports under liberal licensing: It is understood that for this category, specific licences must be obtained from the Secretariat of State for Foreign Trade. Under what conditions are such licences issued? In particular, is it a requirement that the origin of the goods should be declared and can the origin be taken into account in deciding whether or not a licence is granted?

Reply: Licences in this category are granted automatically, and no questions are asked as to type or origin of the goods. The category is of a transitional nature; products are placed on this list in preparation for their transfer at a later date to the free list.

   Category (iii) Imports under quotas: Are the quotas on a global or country basis? On what basis are licences within the quotas issued? The levels of quotas have not hitherto been published. In the view of the United Kingdom, publication of quota levels should in future be made.
Reply: The quotas are established on a global basis. A difference is only made between the convertible and the bilateral payments areas. No licences are required for this group of imports, and allocation of quotas is made in agreement between the enterprises concerned. On the basis of such allocation of quotas foreign exchange is automatically made available to enterprises. Although the quotas have hitherto not been published, they are known to the trade associations and the enterprises in general. They are notified from time to time of the opening of the quotas and thus given the opportunity of learning the details. The publication question can, however, be considered.

Category (iv) Imports of goods under restrictive licence: Questions as for Category (ii); in addition, in what ways does Category (iv) differ from Category (ii)?

Reply: There are great differences between the two categories. Imports of goods in Category (ii) are virtually free, while imports of goods in Category (iv) are fairly severely restricted. For this category of imports the importer must possess the necessary foreign exchange balance, and permission to import is given only when judged desirable by the licensing authorities. Category (iv), however, is of a very limited importance; it comprises some nineteen items and represents less than 1 per cent of the total imports. These restrictions are applied for balance-of-payments reasons.

Category (v) Imports under general licence up to a definite foreign exchange allocation: It is understood that imports in this category (the residual category) are controlled by fixing quotas of foreign exchange available to each enterprise. How are these quotas allocated? Do they embrace all convertible currencies or do they relate to specific currencies only? In general, may it be assumed that it is Yugoslavia's intention to move goods into more liberal categories and to eliminate quantitative restrictions altogether as soon as the balance of payments permits?

Reply: In the general licence category global quotas have been allocated for 1965 to individual enterprises on the basis of 50 per cent of the imports of the preceding year. Additional allocations are made from time to time under the system described under 11 above. There are no lists of items; all items not in any other category will come under the general licence category. It is the intention to eliminate gradually this category as the balance-of-payments situation permits pari passu with the broadening of the list of free imports.

16. Can Yugoslavia give assurances that she gives no existing tariff or other preferences to third countries inconsistently with the GATT?

Reply: This can be unequivocally confirmed.
Questions submitted by the EEC member States

17. Is the Yugoslav Government prepared to communicate its various trade regulations, as provided for in Article X of the General Agreement? In particular, can it at this stage communicate to the CONTRACTING PARTIES any draft legislation at present under discussion and relating to foreign trade?

Reply: All laws and regulations are published in Yugoslavia. Their submission to GATT is rather a practical problem of translation. The basic principles of the new draft foreign trade law have been explained in the documents before the Working Party. The full text will be submitted to GATT as soon as it has been approved by the legislature.

18. Can the Yugoslav Government furnish a breakdown of the various import lists, in terms of the Brussels Nomenclature?

Reply: The lists will be communicated in the way desired as soon as feasible.

19. A number of products have been taken off the list of imports subject to restrictive licence and imports subject to quota, in what categories have these been placed?

Reply: These products are now in the global quota category with exception of coffee, which is under liberal licensing.

20. Are customs duties the principal instrument of import policy? If not what significance should be attached to other measures regulating imports?

Reply: The customs tariff is intended to be the only protective instrument. The quantitative restrictions are imposed for balance-of-payments reasons. There are no other governmental measures constituting barriers to imports.

21. What are the means of State intervention (planning, licences, foreign exchange allotment system) which affect the import policy of the various enterprises in Yugoslavia?

Reply: The social plan only contains global estimates regarding the gross national product, the expected rates of growth of imports, exports, etc. These are regarded as national economic policy objectives to be obtained through the influence of monetary, credit, budgetary investment and consumption policies and measures. Import quotas and restrictions are not among the means for this purpose. Import quotas are fixed annually; they are not split up country-wise but only make a difference between the convertible currency and the bilateral payments areas. The fact that municipalities can create enterprises does not mean that they have any influence over their management once their activities have started. The municipalities then only have an interest in the enterprises for tax, employment and similar reasons. They do not participate in the administrative bodies of the enterprises.
22. What are the methods envisaged and the general guidelines for the decentralization of economic decisions?

Reply: Decentralization was one of the main principles in the economic reform, but the aim to further decentralization of the decision making and to limit administrative interference in the running of enterprises is a long-established aim of the Government of Yugoslavia. Banks, for example, were previously founded by the Government, but they are now created as well as managed by enterprises. No individual enterprise or municipality can have more than 10 per cent of the votes in any bank and total voting rights of municipalities cannot exceed 20 per cent for any one bank.

23. According to what criteria and in what way will the economic reform improve the relationship between prices of agricultural products, other primary products and services, on the one hand, and prices of industrial products, on the other hand?

Reply: Previously it was the policy of the Yugoslav Government to concentrate on furthering the industrialization process and to that end to keep down prices on raw materials and services. This policy unfortunately gave rise to a certain distortion between the prices of agricultural and industrial products. Agricultural and raw material production lagged behind, and the earnings in these activities were much lower than in the manufacturing industry. It was then decided to increase agricultural prices in the hope gradually to reduce and eventually to eliminate the gap between the two sectors. This aim was confirmed in the 26 July reform which involved, _inter alia_, increases in the minimum guaranteed prices - mainly for cereals - and the minimum (permissible) prices - for other agricultural products. A certain percentage increase of raw material prices was also introduced. These measures as such would have adversely affected exports, but the increase in prices in terms of the local currency was more than offset by the simultaneous 66 per cent devaluation of the dinar.

24. Do the Yugoslav provisions take account of the provisions of Article III of the General Agreement concerning the principles of national treatment on internal taxation and regulation?

Reply: Yes. There is no discrimination in favour of domestic products and the rules of Article III are fully observed.

25. Are tariffs and service charges connected with transport, distribution, etc., applied in the same way to products or services which are of Yugoslav origin or foreign?

Reply: The answer is affirmative.

26. The major objectives of the economic reform include a wider rôle for market criteria in the process of price formation. Can Yugoslavia give more specific information as regards the new market - and economic calculation - elements which would be introduced for price formation purposes, within the framework of the economic reform?
Reply: The aim of the Yugoslav Government has for a long time been to increase the rôle of market forces in the determination of prices and to eliminate administrative interference in the price formation process. The elimination of the price distortion between agricultural and industrial products has been an important task. The increasing liberalization of imports would also tend to increase the importance of market criteria.

27. Can Yugoslavia give an assurance that, within the framework of the Government's price policy, the marketing margin applied for a product imported from one contracting party would not differ from the marketing margin fixed for similar products imported from other contracting parties or from State-trading countries, or from the marketing margin fixed for similar products obtained in Yugoslavia?

Reply: Prices, as have been explained, are determined by the individual enterprises on commercial considerations. Since the Government is not participating in the process, there can be no sense in any such assurance. The only possible exception may be found in the operation of the State Food Administration which, for purposes of maintaining consumer price stability, does influence prices by giving directives in connexion with the granting of certain import quota allocations which might indirectly affect prices. This happens only in exceptional cases. For domestic products only, the federal and communal Price-Recording Offices are authorized in some cases to fix maximum prices, but this applies only to a few domestic products of a daily necessity type.

28. What are the provisions ensuring freedom of transit? In particular, is account already taken of the obligations set forth in Article V of the General Agreement?

Reply: Cf. reply to question 10 above.

29. What are the new rights envisaged by the reforms now in hand as regards foreign enterprises wishing to carry on commercial activity in Yugoslavia?

Reply: Cf. reply to question 13 above.

30. Out of imports in 1964, what percentages consisted of goods admitted to Yugoslavia under general licence?

Reply: These imports amounted to 24.5 per cent of total imports in 1964 (cf. BOP/53).

31. What are the criteria according to which approved banks sell foreign exchange to enterprises wishing to import merchandise subject to general licence? In particular, how can enterprises not connected with exports (e.g. distribution enterprises) obtain the necessary foreign exchange?
32. How can new enterprises obtain foreign exchange for the purchase of merchandise imported under general licence?

**Reply:** Distribution of foreign exchanges for this category of imports in 1965 is being done on the basis of 50 per cent of 1964 imports. A certain allocation is fixed by the Central Bank for the use of new importers, and the distribution of the allocation is handled by commercial banks on the basis of criteria decided upon by themselves. New importers obviously initially get a more limited allocation than established importers, but the allocation can be rapidly increased if justified by performance.

33. What are Yugoslavia's obligations under bilateral trade agreements concluded with State-trading countries or with groups of State-trading countries?

**Reply:** Cf. reply to question 4 above. There are no agreements with groups of countries.

34. Is any specific proportion of Yugoslavia's foreign trade in 1965 reserved for trade with these countries? If so, on the basis of which criteria? What are the prospects for future years?

**Reply:** No specific proportion is reserved for these countries; decision on where to place orders rests with the enterprises. It is difficult to predict what future prospects will be; imports from these countries may increase, in the same manner as imports from other sources, if increases are justified by trade developments.

35. According to what criteria is foreign exchange apportioned as between imports from countries with convertible currencies and those from countries having bilateral payments agreements? Can convertible foreign exchange be used to pay for imports from countries which have entered into such bilateral agreements?

**Reply:** There is no apportioning of foreign exchange as such. There is, of course, the allocation of quotas (for goods subject to quotas) which are divided in sub-quotas for the two currency areas. Convertible currency is not normally used for imports from bilateral agreement countries but in special cases, where there is an urgent need for a product from such a country and no currency of that country is available, the National Bank may authorize payment in a convertible currency.
36. According to what criteria do enterprises approportion the foreign exchange allocated for imports subject to quota? How can the Federal Secretariat for Foreign Trade intervene?

Reply: Normally the enterprises concerned agree among themselves on the approportion; If they cannot agree, which is seldom the case, the Federal Secretariat intervenes.

37. Is the convertible foreign exchange allocated for imports under general licence and imports subject to quota approportioned according to currency area? Is it possible for enterprises to exchange with each other the convertible foreign currencies allocated to them?

Reply: Only quotas are sub-divided into two parts, one for the convertible area, one for bilateral payment countries. Enterprises are not allowed to transfer currencies among themselves. As usual in such cases, unused foreign exchange must be sold back to the National Bank for re-allocation for other imports.

38. According to what criteria do the authorities decide as regards the issue of foreign exchange required for the purchase of goods subject to restrictive licence? Does it depend on the trade balance situation with each of the supplying countries?

Reply: No exchange is allocated under restrictive licences. As explained above an enterprise must use its own foreign exchange for such imports.

39. According to what precise scale can certain enterprises purchase foreign exchange in order to import capital goods in relation to their depreciation allowance, and how is the scale established?

Reply: The current regulations governing the allocation of currency to enterprises for imports of capital goods and spare parts have been in force since 1961. The criteria for the allocation vary from one branch of industry to another. They include, inter alia, the balance-of-payments situation and the depreciation of the fixed capital of the industry concerned. Besides, imports of safety appliances have recently been liberalized.

40. How can enterprises not engaged in exports obtain from approved banks the necessary guarantees to conclude credit agreements with foreign firms concerning the purchase of capital goods?
Reply: All enterprises are treated in the same way. Applications for stand-by funds are submitted to authorized banks. The bank on receiving an application examines the credit-worthiness of the enterprise, the need for the goods in question and the credit conditions. Concurrence is granted if the credit in question falls inside the limit fixed for foreign credits during the current period. The example on page 5 of BOP/53 refers to a different scheme; namely that of credits for importation of additional machinery required for increased export deliveries.

41. What is the retrocession quota made up of and how does it operate?

Reply: This quota represents the right of an enterprise to use a certain percentage of its export earnings for its own needs. The percentage varies from 3 per cent to 20 per cent depending on the branch of activity to which it belongs. Such exchange is normally used for imports of items on the restrictive list, for advertisement and sales promotion abroad, for foreign business travelling, etc.

42. What is the share of Government imports in Yugoslavia's global imports, (including the share of imports by State commercial undertakings)?

Reply: There are no State-trading enterprises in Yugoslavia. The only Government imports are of products for immediate or ultimate consumption in governmental use, such as war material and office equipment.

43. What proportion of foreign exchange earnings is retained by enterprises? What are the conditions governing the use of such foreign exchange?

Reply: Cf. answer to question 41 above.

44. What measures does the Yugoslav Government envisage in order to enable enterprises which earn foreign exchange on account of their exports to use a larger part of those earnings either to import other goods or to sell it freely?

Reply: No specific scheme exists. An enterprise can conclude a contract with an authorized bank regarding imports of certain products required for the production of goods for export. This is one of the few cases of linking of export income and exchange allocation.

45. How does the Yugoslav Government intend to carry out the decision of the International Monetary Fund dated 23 July 1965, concerning the elimination of quantitative import restrictions on raw materials, spare parts and the easing of the import system for capital goods? Can the Yugoslav Government give assurances that these measures will be taken within a specified time?

Reply: The relevant passage in the IMF decision (Cf. L/2404, page 14) is a statement of the Yugoslav Government's own intentions, which will of course be carried out. These steps are to be taken gradually but as expeditiously as possible, although it is not at this juncture possible to say at what precise date the process will be accomplished.
46. What will be the criteria for extending the liberalization list and, in particular is it the intention to extend liberalization of consumer and capital goods?

Reply: Liberalization will be extended to the full extent permitted by the balance of payments. The free-listing of raw materials and spare parts is considered a significant step. A liberal policy will be followed regarding capital goods.

47. How can private persons obtain the necessary foreign exchange to purchase automobiles? Does the Yugoslav Government intend to include automobiles in the free import category, and if so when?

Reply: Cf. reply to question 9.

48. Are there any special regulations for imports of agricultural products? If so, what are they?

Reply: There are no special regulations for agricultural products.

49. After the recent reforms, is there still a State monopoly for imports of raw materials and agricultural products? If so, does Yugoslavia consider that the provisions of Article XVII:4(a) of the General Agreement are applicable?

Reply: There is no State monopoly. Previously, trade in cereals was reserved for a single enterprise, but this has been abolished.

50. In Annex X, on page 13 of BOP/53, mention is made of non-commercial imports. Are these imported under United States Public 480?

Reply: Imports under Public Law 480 are considered to be commercial transactions. "Non-commercial imports" here relate to private gift parcels, travellers' personal effects and similar imports.

51. Can Yugoslavia give details concerning formation of export prices?

Reply: The enterprises are guided in their pricing policy by market estimates, production costs, the rate of exchange, etc., i.e. normal commercial considerations. The formation of prices is essentially the same for exports as for domestic sales.

52. What are the export incentive measures which affect export prices (e.g. subsidies to export industries, or tax rebates)?

Reply: There are no subsidies or tax rebates. Foreigners, and Yugoslavs paying in foreign currency, can buy goods in retail shops at a 10 per cent discount, corresponding to the deduction of the turnover tax.

53. The currency reform was accompanied by removal of the system of export bonuses. Does this mean that no more subsidies are granted on exports? If not, what is the situation of such bonuses in relation to Article XVI of the General Agreement?
Reply: Cf. answer to Question 52 above. There is no difficulty for Yugoslavia to accept and to abide by provisions of the GATT Declaration on Subsidies.

54. What is the present export régime in Yugoslavia? In particular, which category includes products which have been withdrawn from the list of exports subject to licence and exports subject to quota?

Reply: In principle, exports are not subject to any limitations. For items corresponding to about 10 per cent of total exports there are restrictions, either as a result of agreements with importing countries or because of scarcity of the goods in Yugoslavia. There has been and will be a gradual reduction of the number of items subject to export limitations; items not on the lists can be freely exported.

Questions submitted by Australia

55. Could a statement be given on the operation of the State Food Administration in relation to the importation of basic foodstuffs?

Reply: Cf. reply to question 27 above.

56. While it is appreciated that Yugoslavia maintains quantitative restrictions for balance-of-payments reasons, is there an element of protection also present?

Reply: The restrictions are not applied with the intention of affording protection. They are being removed as the balance-of-payments situation permits.

57. Can further information be provided on the machinery which determines the export prices of Yugoslav products?

Reply: Cf. reply to question 51 above.

58. To what extent is Yugoslavia able to give meaningful most-favoured-nation access to all GATT Members, particularly in view of the number of existing bilateral agreements?

Reply: No discrimination is intended or practised in the conduct of commercial policy. A certain discriminatory effect may perhaps result from operation of the bilateral agreements. The intention is, however, to limit any such effect and to terminate most of such agreements as soon as possible.
Questions submitted by Canada

59. In view of the fact that the average incidence of Yugoslav tariffs was reduced by approximately 50 per cent in July 1965 and that the tariff is stated to be the sole protective instrument (apart from quantitative restrictions maintained for balance-of-payments reasons), what has been the effect of these tariff measures on the volume of imports into Yugoslavia?

Reply: The measures were only taken in July 1965 and it is not yet possible to judge their effects with any exactitude. The imports decreased somewhat immediately after the entry into force of the reform, as a result of the devaluation of the dinar. It is the intention, of course, that the tariff reduction should lead to freer access of foreign goods to the Yugoslav market and, ceteris paribus, would lead to higher imports.

60. In BOP/53, under paragraph 2(c), the linking of imports with exports is described as the basis for the allocation of foreign exchange, what safeguards exist to ensure that this method will not lead to discrimination in favour of countries who trade with Yugoslavia on the basis of bilateral agreements?

Reply: Such a linking is the basis for allocation only in a few special cases. There is constantly a greater demand for convertible currencies than for bilateral ones. There is therefore unlikely to be any discrimination of the kind alluded to. There will at any rate be no discrimination which is not justifiable under the terms of GATT and the International Monetary Fund Agreement. Cf. also reply to question 58 above.

61. Do countries with convertible currencies who have quotas based on bilateral agreements also share in the global quotas open generally to convertible currency countries?

Reply: Yes.

Questions submitted by Sweden

62. What, in more detail, should be understood by such terms as "liberalization", "free-listing" and "global quotas" (cf. L/2494, page 5)? Which Brussels Tariff Nomenclature positions will fall under each one of these different categories?

Reply: Cf. answers to question 15 above.

63. Have any more concrete plans been elaborated for implementing the new import régime? Have, for instance, partial targets for liberalization been drawn up and, if so, which products are going, in the first instance, to be free-listed or, as the case may be, otherwise liberalized?

Reply: Cf. answers to question 45 above.
64. To what extent does the Central Bank control the allocation of foreign exchange (cf. L/2494, page 11)? May, for instance, an enterprise engaged in foreign trade dispose of foreign exchange earned through exports or must foreign currency always be rendered to the Central Bank for allocation in accordance with established priorities?

Reply: The National Bank has under control all foreign exchange. Enterprises dealing in exports have to cede all proceeds in foreign exchange to an authorized bank; only a certain percentage of such proceeds may be bought again from the authorized banks (retrocession quota). Foreign exchange is sold to enterprises depending on the category of imports to be effected.

65. In order to be allowed to engage in foreign trade, an enterprise has to fulfil certain requirements. This could easily lead to discrimination and make trade more difficult. Is Yugoslavia considering to take special measures in order to counteract such negative effects?

Reply: The number of enterprises engaged in foreign trade is substantial; including 208 production enterprises and their associations; and 178 other trade enterprises, fifty enterprises representing foreign companies. A non-registered enterprise wishing to import a product can do so through the medium of a registered enterprise.