

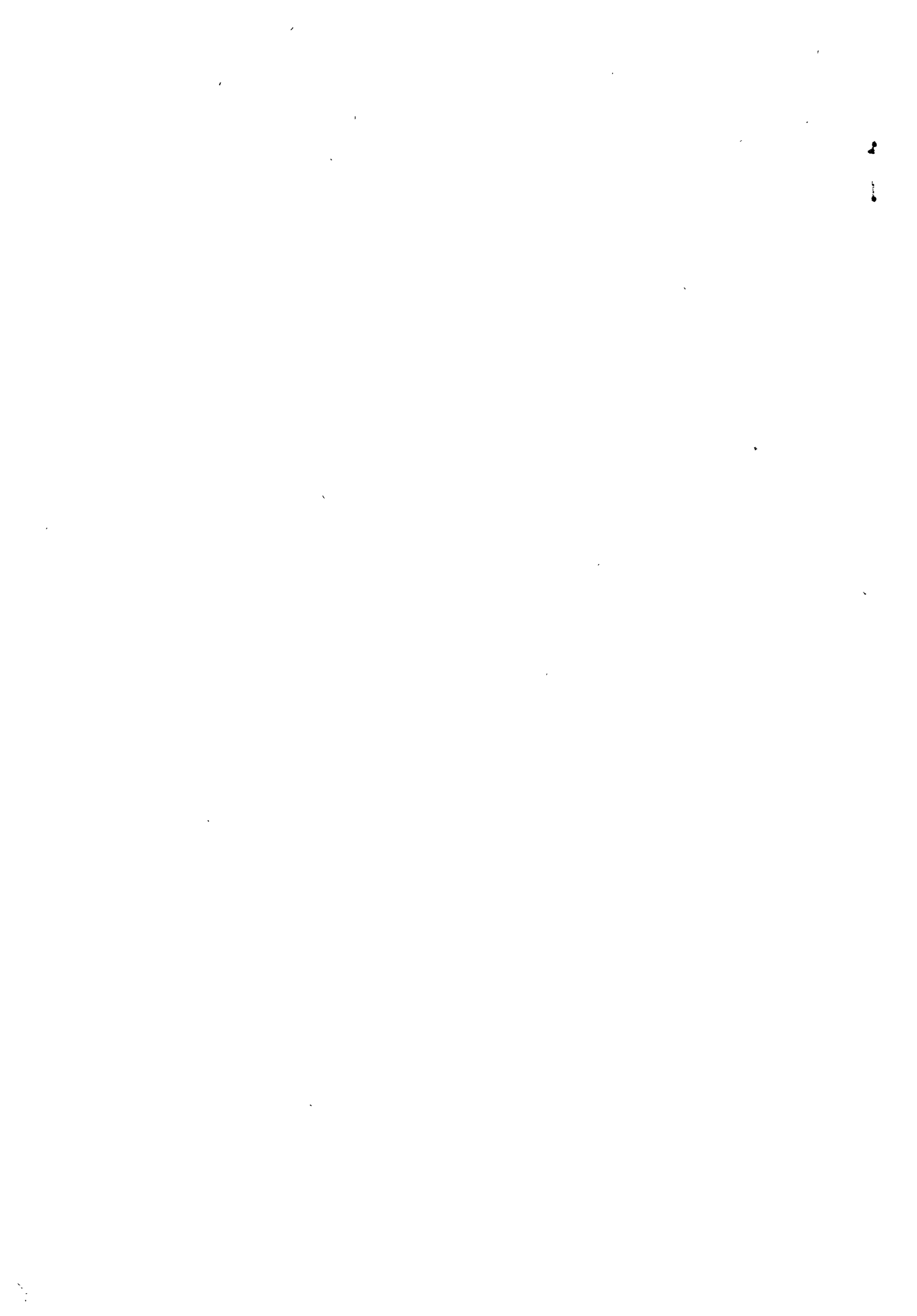
COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9 July 1975

PREPARATION FOR THE EEC-YUGOSLAVIA JOINT COMMITTEE

END OF JULY 1975 - FINANCIAL COOPERATION

(Commission communication to the Council)



1. The EEC-Yugoslavia Joint Committee which met on 3 February 1975 decided to try to find ways of enlarging cooperation between the two parties, in particular in the fields of agriculture, industry, finance and science, in order to give a concrete application to Article VII of the 1973 Agreement which states:

"The Contracting Parties may develop economic cooperation as an adjunct to trade in fields of mutual interest to both parties and in the light of developments in the economic policies of the Community."

The Community undertook to examine in a positive spirit the Yugoslav requests, in particular taking into account the geographic position of Yugoslavia, and agreed to the creation by the Joint Committee of a working group charged with "proceeding to a detailed study of different suggestions with a view to arriving at a first series of constructive proposals which would be submitted to the next meeting of the Joint Committee at ministerial level.

2. Yugoslavia, worried by the development of its economic relations with the Community characterized in particular by an increasing balance of trade deficit and the unsatisfactory functioning of the 1973 Trade Agreement, attaches particular importance to implementation of the development clause of the agreement quoted above.

This importance, essentially political, has been emphasized by M. Smole, Member of the Federal Execution Council, during his visit to the Commission, by the high authorities of the Yugoslav government during the visit to Yugoslavia between 12 and 15 June 1975 of the President of the Commission, as well as by the aide-mémoire of 10 June 1975, which was sent to the Member States and to the Commission and Council.

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3. The Joint Committee will meet at ministerial level in the second fortnight of July to take the decisions which it is able to take, taking into account the results obtained by the working group and the work done within the Community relating to the discussions of this group. Essentially this concerns the creation of a structure to examine precise requests that, on points determined by the working groups, Yugoslavia may be led to present to the Community in the areas of technical and technological cooperation, particularly in the industrial and agricultural sectors.

4. In addition Yugoslavia has requested, on 3 February, and several times after, notably at the meeting of the working group of 2 June as well as in its aide-mémoire of 10 June, that this cooperation be completed and linked to financial cooperation.

Concerning this point, on which the working group was obviously unable to take a position, it is advisable to consider whether it is possible to meet the wishes formulated by Yugoslavia.

Firstly it is necessary to observe that the limits that the policy of non-alignment followed by Yugoslavia, a Mediterranean country, impose on relations between the Community and this country can only have repercussions on financial cooperation in the same manner as they have repercussions on the development of commercial relations in the framework of the 1973 non preferential agreement. These limits have in fact effected the wording of the development clause in the sense that it foresees cooperation only as "an adjunct to trade in fields of mutual interest to both parties."

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In order to remain within these limits, the financial protocol, which could be attached to this agreement, must therefore be of a different (and more restrictive) type than those which are envisaged for conclusion with the countries of the same geographical region linked to the Community by Association or preferential agreements.

As mentioned, the state of the Yugoslav economy and the bottlenecks which are produced in numerous sectors restrain to a great extent the development of commercial exchanges and threaten the situation of balance which Yugoslavia endeavours to maintain between its different commercial partners. There is no doubt that financial cooperation would naturally contribute towards combatting this situation.

Moreover, financial cooperation helping the economic development of Yugoslavia in certain determined sectors and which would take into account specific relations between Yugoslavia and the EEC would conform to Community Policy. In fact it is necessary to stress that Yugoslavia belongs to the Mediterranean area where the Community is committed to a policy including this type of cooperation, according to the degree of development of the partner countries. Such cooperation with Yugoslavia would be in conformity with this policy, a policy that the Community has imprinted with the necessary flexibility to enable it to adapt itself to the economic, political and international situation of each country it treats while at the same time keeping its overall character.

Finally it is necessary to stress the political importance that financial cooperation with the Community would assume for Yugoslavia, a country which has already obtained an opening from the financial institutions of COMECON, where it is not a member, and a country which is firmly attempting to maintain a balance between all the sectors of its foreign policy.

5. Taking into account these elements if the Joint Committee in July could decide that the development of cooperation between the Community and Yugoslavia, which is the aim of its meeting, can include the possibility of financial cooperation, it would have in the opinion of the Commission a considerable political leaving. Of course it should be specified that

in any case such a possibility would only be made open within the above mentioned limits which are fixed in the development clause, that is to say for projects either of mutual interest for the two parties or projects in which the Community has a specific interest. In the Commission's view such projects could well be found in sectors such as energy, non-ferrous metals, telecommunications or transport infrastructure.

The form that such financial cooperation should take could only be limited to financing from the own resources of the European Investment Bank, at normal market conditions, the eligibility of the projects presented being determined on the basis of the principles of Article VII of the 1973 agreement.

6. At this stage, it is not a matter of fixing the terms of a financial cooperation agreement which ought to be the subject of a protocol to the 1973 agreement, but only to allow the Community representative at the Joint Committee not to be opposed to leaving open the possibility of financial cooperation, under reserve of the aforementioned limits and terms which will necessitate extensive studies between the Community and Yugoslavia.

The implementation of such cooperation, if it is to take a more concrete form, will be the subject, at the appropriate time, of a concrete proposal from the Commission to the Council.