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THE EUROPEAN COMMUNITY AND YUGOSLAVIA

CONTENTS

Introduction.....	1
1. Community-Yugoslavia relations.....	1
The 1973 Agreement.....	1
Financial cooperation.....	2
2. Yugoslavia and the generalized preferences.....	3
3. The Arrangement regarding International Trade in Textiles and Yugoslavia.....	3
4. Yugoslavia and scientific and technical cooperation.....	4
5. EEC-Yugoslavia Cooperation Agreement.....	5
6. Conclusion.....	6
Annex : Community-Yugoslavia trade.....	7

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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 Stoel, then President of the Council of the European Communities, and Mr F.O. Gundelach, Member of the Commission, marks 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 EEC 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, initialled on 25 February 1980, meets these requirements.

1. COMMUNITY-YUGOSLAVIA RELATIONS

The 1973 Agreement

The initial non-preferential Agreement, signed in Brussels in 1970, covered a period of three years and expired on 30 April 1973. It was succeeded by a five-year Agreement signed in 1973, which was in force up to 30 September 1978 and was tacitly extended.

Under the terms of this Agreement the two Parties accorded each other most-favoured-nation treatment.

The role assigned to the EEC-Yugoslavia Joint Committee is an important aspect of the Agreement.

The Agreement contains an 'evolutive' clause. Yugoslavia and the Community will be able to develop economic cooperation as a complementary element to trade in areas of mutual interest in the light of developments in the Community's economic policies.

Since 1974 relations between the Community and Yugoslavia have been intensified at the level of Ministerial meetings and the Joint Committee.

Sir Christopher Soames' visit to Belgrade in April 1974 was followed by that of Mr Ortoli, President of the Commission, in June 1975.

The President of the Federal Executive Council of the Socialist Federal Republic of Yugoslavia, Mr Bijedic, visited the Commission on 19 February 1976. This was the first visit to the Commission of a Yugoslav Head of Government.

The EEC-Yugoslavia Joint Committee met for the first time, at Ministerial level, in Brussels on 24 July 1975.

The Community expressed its interest in seeking measures to check the growth of Yugoslavia's trade deficit with the Nine. The two Parties decided to implement the evolutive clause in the 1973 Agreement 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 on the markets of other countries.

The Joint Committee met at Ministerial level 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 subcommittee with the task of identifying sectors and studying projects in line with the Declaration.

A third meeting of the Joint Committee was held at Ministerial level in Belgrade on 27 October 1977.

Both parties stressed the progress achieved by the subcommittee for economic cooperation set up at the meeting in March 1977. This subcommittee, which met in Brussels on 26 May 1977 and in Zagreb on 22 September 1977, pinpointed the sectors in which intensified cooperation was to be pursued: medium-term economic policy, balance of payments, transport, environment, labour, scientific and technical cooperation.

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 third phase of negotiations commenced on 1 February.

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 u.a.(1) for the financing of projects of mutual interest to Yugoslavia and the Community.

(1) 1 u.a. = USD 1.37 = Din 25

In November 1977 the Bank made an initial loan for an amount of 25 million u.a (approximately Din 625 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 u.a in November 1978 as a contribution to the financing of five sections of the future trans-Yugoslavia motorway to replace the existing two-lane highway. The road will be 1200 km in length and will constitute the keystone of the Yugoslav road network, providing the most direct link between the Community on the one hand and Greece, Turkey and the Middle East on the other. In this context, it is of special importance to both Yugoslavia and the Community, as Greece's accession will result in an expansion of transit traffic through Yugoslav territory.

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

Under the new Cooperation Agreement initialled on 25 February 1980, a sum of 200 million u.a. will be made available to Yugoslavia in the form of EIB loans over a period of five years.

2. YUGOSLAVIA AND THE GENERALIZED PREFERENCES

The Community's generalized system of preferences (GSP) consists in complete freedom from customs duty on all manufactures and semi-manufactures, and partial immunity for certain processed agricultural products without any ceiling. Three hundred and ten agricultural products are at present covered by the system.

In the case of industrial products, butoirs or maximum amounts are fixed for each country benefiting from the scheme. These place a limit in the form of a given percentage on the portion which each country is entitled to use of the ceilings and quotas laid down for the different products.

Yugoslavia is one of the countries which have derived most benefit from the generalized preferences schemes introduced by the Community on 1 July 1971. It was the biggest user of the scheme in 1978, reaching the figure of 435 774 000 EUA.

This illustrates the particularly important position that Yugoslavia occupies with regard to utilization of Community preferences. As Yugoslavia is one of the most developed countries among the beneficiaries of the GSP, a number of problems have arisen in respect of sensitive industrial sectors.

The new Agreement does not prevent Yugoslavia from continuing to be a beneficiary country under the Community's generalized preferences scheme.

3. THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES AND YUGOSLAVIA

The 'Multifibre Arrangement' (MFA), which was approved by the Council on behalf of the Community on 21 March 1974, replaced the Long-term Agreement regarding International Trade in Cotton Textiles and was renewed for a period of four years at the Council meeting of 20 December 1977.

An initial agreement on textile trade between the EEC and Yugoslavia to cover the years 1976 and 1977 was signed on 25 June 1976. A second agreement, concluded on 23 December 1977, runs until 31 December 1982. It concerns only the quantitative aspects.

This agreement provides that Yugoslavia shall exercise voluntary restraint of its exports of a number of textile products of Yugoslav origin.

The main products subject to this voluntary restraint are the following :

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

The quantities of other sensitive products are subject to monitoring.

The new generalized preferences scheme proposed for 1980 establishes a link between the Multifibre Arrangement and the GSP.

The new preferences scheme for textiles will be based on the same classification of products in categories as that introduced on a quantitative basis under the MFA.

Each country which has concluded a voluntary restraint agreement with the Community will be entitled for each category of products to individual quota shares covered by tariff exemptions. The quota shares will be determined in the light of the degree of competitiveness of each GSP beneficiary country.

Within the framework of the voluntary restraint levels established under the bilateral agreement, tariff exemption has been accorded under the new Agreement according to a variable percentage of those voluntary restraint levels. These new tariff arrangements are vastly more advantageous to Yugoslavia than the arrangements applicable to it under the preferences scheme for 1980. Six months before the bilateral agreement expires, the Community and Yugoslavia will establish the arrangements which will subsequently apply to textile products.

4. YUGOSLAVIA AND SCIENTIFIC AND TECHNICAL COOPERATION

Since 1971 a Yugoslav delegate has been attending meetings of the 'Scientific and Technical Cooperation' (COST) group, which operates under the auspices of the Council of ministers and includes, in addition to the nine Community countries, Norway, Finland, Portugal, Sweden, Switzerland, Greece, Turkey and Spain.

Yugoslavia has participated in agreements in the fields of telecommunications, metallurgy, and pollution of air, water, etc.

It has also signed an agreement on the setting-up of a meteorological centre on the territory of the United Kingdom.

The Commission recently approved and forwarded to the Council a research programme based on Yugoslav proposals, covering the following four agricultural schemes :

- (i) maize as a basic feedingstuff for cattle intended for slaughter;
- (ii) the production of proteins and their use in animal feed;
- (iii) mineral enrichment of basic crops;
- (iv) early weaning of piglets.

This programme, which is spread over five years, will require a financial contribution of around 13 million EUA (approximately Din 325 million) from the Member States of the European Community.

The Commission will also finance directly the coordination work, which, it is estimated, will cost 1.76 million EUA (approximately Din 44 million).

5. EEC-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 the first stage, the Contracting Parties will open negotiations in accordance with the procedure adopted for the negotiation of the Agreement itself, 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 primary products, on which the duties will be reduced in stages, and a limited number of other 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 of 2 900 tonnes.

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 intensify 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 will be 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.

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.

6. CONCLUSION

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.

The planned opening by the Commission of a Community Delegation in Belgrade in the near future will provide impetus in this direction: it will help towards a better understanding of mutual problems and will contribute to the development of a fruitful collaboration.

Annex

Community-Yugoslavia trade

Trend of trade between Yugoslavia and the European Community

Yugoslavia was in 12th position among Community customers in 1978. It occupied 25th place among Community suppliers in 1968 and 1975 and 26th place in 1978.

In 1978 more than 23 % of Yugoslav exports went to the Community and 38.4 % of its imports were of EEC origin.

Community exports to Yugoslavia

(million EUA)(1)(2)

Year	1968	1973	1974	1975	1976	1977	1978	January/ June 1979
	808	1785	2828	2783	2686	3567	3706	2139
% growth	100	221	350	344	332	441	459	

Community imports from Yugoslavia

(million EUA)

Year	1968	1973	1974	1975	1976	1977	1978	January/ June 1979
	480	1169	1193	1041	1459	1569	1640	926
% growth	100	244	249	217	304	327	342	

Community trade balance with Yugoslavia

(million EUA)

Year	1968	1973	1974	1975	1976	1977	1978	January/ June 1979
Balance	+ 328	+ 616	+1635	+1742	+1228	+1996	+2066	+1213

(1) 1 EUA = USD 1.37 in 1979

(2) Source : SOEC (Statistical Office of the European Communities)

Yugoslavia's trade balance with the Community shows a deficit. This is due both to its import drive, based primarily on efforts to equip Yugoslav industry, and to the structure of its exports, approximately 30 % of which are primary products and agricultural products (meat, maize, wine, etc.)

However, over 70 % of its exports to the Community are in the form of machinery, equipment, manufactured goods and chemicals.

Yugoslavia's trade deficit with the Community totalled 53 % of its overall trade deficit in 1974, 62 % in 1975 and 1976, 56 % in 1977 and 58 % in 1978.

Yugoslav exports to the Community may be broken down into large product categories as follows :

	1974	1975	1976	1977	1978
Industrial products %	77.2	76.3	75.5	76.1	77.6
Agricultural products %	22.8	23.7	24.5	23.9	22.4

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