

European Communities

EUROPEAN PARLIAMENT

Working Documents

1982-1983

3 February 1983

DOCUMENT 1-1193/82

REPORT

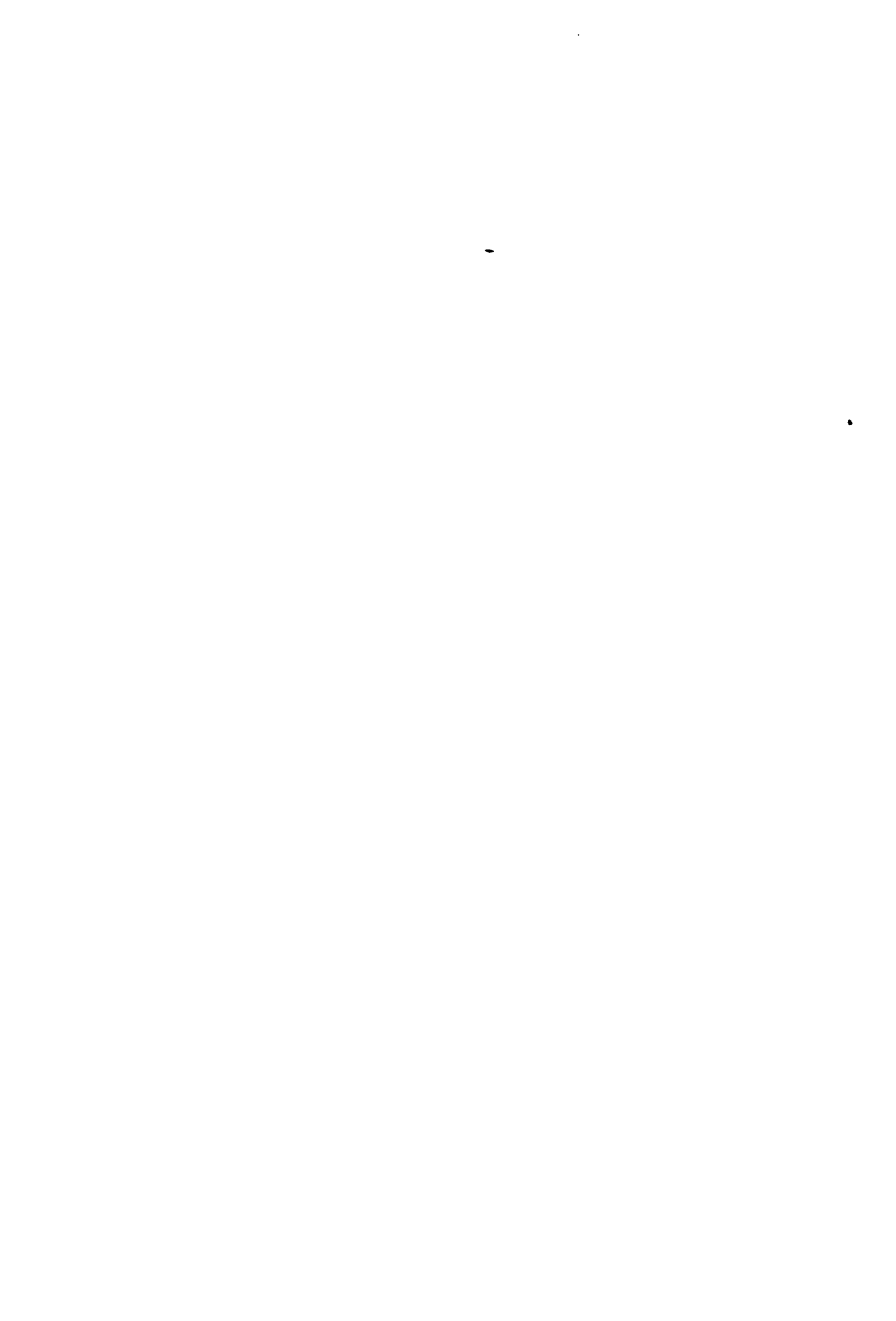
drawn up on behalf of the Political Affairs Committee
on the situation in Yugoslavia

Rapporteur: Mr V. BETTIZA

1.2.1

PE 81.603/fin.

English Edition



By letter of 8 November 1982 the Political Affairs Committee requested authorization to draw up a report on the situation in Yugoslavia.

By letter of 30 November 1982, the committee was authorized to draw up a report on this subject. The Committee on External Economic Relations was asked for its opinion.

At its meeting of 3 November 1982 the Political Affairs Committee appointed Mr Vincenzo BETTIZA rapporteur.

At its meetings of 29 November to 1 December 1982 and 19 to 21 January 1983 the committee considered the draft report. It adopted the motion for a resolution as a whole at the latter meeting by 23 votes to 0 with 1 abstention.

The following took part in the vote: Mr RUMOR, Chairman; Mr HAAGERUP, 1st vice-chairman; Mr BETTIZA, rapporteur; Mr ANTONIOZZI, Mr BALFE (deputizing for Mrs van den HEUVEL), Mr BARBI, Lord BETHELL, Mr BOURNIAS, Mr GAWRONSKI (deputizing for Mr BERKHOUWER), Mrs GREDAL, Mr HABSBURG, Mr von HASSEL, Mr LOMAS, Mr MAJONICA (deputizing for Mr KLEPSCH), Mr MOMMERSTEEG (deputizing for Mr DESCHAMPS), Mr NEWTON DUNN, Lord O'HAGAN, Mr d'ORMESSON, Mr PANNELLA (deputizing for Mrs HAMMERICH), Mr PELIKAN (deputizing for Mr CARIGLIA), Mr PLASKOVITIS, Mr PRAG (deputizing for Lady ELLES), Mr SEITLINGER (deputizing for Mr SCHALL) and Mr SEGRE.

The opinion of the Committee on External Economic Relations is attached.

C O N T E N T S

	<u>Page</u>
A. Motion for a resolution	5
B. Explanatory statement	7
Opinion of the Committee on External Economic Relations ...	11

The Political Affairs Committee hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement :

MOTION FOR A RESOLUTION

on the situation in Yugoslavia

The European Parliament,

- having regard to its resolutions of 18 January 1980, 15 February 1980, 17 April 1980, 22 May 1980, 20 June 1980, 19 December 1980 and 9 April 1981¹,
- having regard to the report of the Political Affairs Committee and the opinion of the Committee on External Economic Relations (Doc. 1-1193/82),
- (A) concerned at the economic crisis in the Federative Socialist Republic of Yugoslavia, as evidenced in particular by its substantial balance of payments deficit and alarming level of foreign debt,
- (B) noting the importance of the 'anti-crisis' measures which have recently been taken, such as the new devaluation of the dinar by 20% and the accompanying measures, including in particular the price freeze, incomes policy, restrictions on the outflow of currency and measures to promote Yugoslavian exports,
- (C) stressing the increase in trade with the COMECON countries and its potential political and economic consequences,
- (D) noting the aims of the EEC/Yugoslavia Cooperation Agreement which represents a legal framework for intensifying political, economic, commercial and technological relations,
- (E) whereas the exchange of experience in the field of advanced technology between Yugoslavia and the Member States of the EEC could assist the modernization of the productive apparatus in progress in the Federative Socialist Republic of Yugoslavia,
- (F) regretting that, despite its substantial balance of trade surplus, the Community failed when negotiating the additional protocol following the accession of Greece to provide for more favourable conditions of access for baby beef, which is an important export for the Yugoslav economy,
- (G) wishing to see improved conditions of access granted for baby beef to re-establish trade in this product in the future,

¹ OJ No. C 34, 11.2.1980, p.117; OJ No. C 59, 10.3.1980, p.66; OJ No. C 117, 12.5.1980, p.41; OJ No. C 147, 16.6.1980, p.74; OJ No. C 175, 14.7.1980, p.86; OJ No. C 346, 31.12.1980, p.128 and OJ No. C 101, 4.5.1981, p.63

- (H) noting with interest, also from the Community's point of view, the agreement signed at Osimo between the Italian Republic and the Federative Socialist Republic of Yugoslavia,
- (I) hoping that no measures such as restrictions on the free movement of persons that may imperil the close relations established with neighbouring countries will be taken,
- (J) stressing the geographical importance which Yugoslavia holds for the Community both as a land-link with Greece and as a pivot in relations with Eastern Europe,
1. Calls on the Commission and Council to use their best endeavours to make the cooperation agreement operational as soon as possible and to ensure that all possible steps are taken to support the policy of economic recovery being pursued in Yugoslavia through the development of economic cooperation with the Community;
 2. Calls on the EEC to strengthen its trade links with Yugoslavia and to define rapidly the methods and aims of cooperation, at economic, as well as scientific and technical level;
 3. Calls for closer contacts between the European Parliament and the Skoupstina;
 4. Calls on the Foreign Ministers of the Member States of the Community meeting in political cooperation to keep abreast of the situation in Yugoslavia and use their influence to assist this country, which has a balancing effect on the non-aligned countries and plays a decisive role in furthering peace, particularly within the framework of the Conference on Security and Cooperation in Europe;
 5. Instructs its President to forward this resolution to the governments of the ten countries of the European Community, to the Foreign Ministers of the Member States of the Community meeting in political cooperation, to the Commission of the European Communities and to the Parliament of the Federative Socialist Republic of Yugoslavia.

EXPLANATORY STATEMENT

1. The EP-YUGOSLAVIA delegation paid an official visit to Belgrade from 4 to 7 October 1982.

It was the fourth interparliamentary meeting but the first since the accession of GREECE to the Community and the signing of the EEC-Yugoslavia agreement.

It must be acknowledged that these interparliamentary meetings are of vital importance for a better understanding of the economic and political problems on both sides and as a means of forging stable institutional links.

2. The visit came during a period of great economic difficulty for Yugoslavia. The high rate of inflation, unemployment, under-utilization of industrial capacity, lack of convertible currency and pressure to repay the foreign debt are the major problems which preoccupy the Yugoslav authorities far more than the usual issues of international policy. They are particularly concerned about the foreign debt which has reached the alarming level of 1,000 dollars per head of population, higher than that of the other Eastern European countries, including Poland.

This manifest state of crisis rendered a series of important measures necessary, such as the progressive tax on overseas travel, the consequences of which are keenly felt by the frontier regions of the Community, the devaluation of the dinar by 20%, the restriction of energy consumption and the rationing of petrol for private use.

3. Side by side with these difficulties we must note the energetic efforts of the Yugoslav authorities who, primarily through the Communist League, are formulating and implementing a policy of austerity as part of a long-term economic stabilization programme, the first stage of which is to last from 1983 to 1985 (the stage when the greatest difficulties will emerge) and the second from 1986 to the end of the 1980s.

These much-needed policies include, of course, unpopular measures.

We have just had a foretaste of this in the tax on emigration which in the long run might curb foreign economic relations and the free movement of persons. This would be a backward step in view of the international commitments into which Yugoslavia has entered with the West, such as accession to GATT, the signature of the Cooperation agreement with the EEC, not to mention the role it has played within the Conference on Security and Cooperation in EUROPE, which in 1977 met on the banks of the SAVA in Belgrade.

There is no doubt that advocates of a pro-Western policy in Yugoslavia encounter difficulties at the moment, but majority opinion remains in favour of a policy of collaboration with the EEC, since it is clear that the Community does not intend to interfere in Yugoslavia's internal affairs and that it is entirely in its interests to assist the stabilization of this country.

4. However, the Community cannot confine itself to playing a benevolent but passive role; to a greater extent than in the past it must find ways of making irreversible what is a genuine Community of interests. Plans must be made for dynamic forms of cooperation, more motorway links, the setting up of joint ventures, exchanges of know-how, the promotion of a less cautious financial policy and the encouragement of investment.

5. We still have a long way to go and unfortunately there has been a slight cooling in EEC-YUGOSLAVIA relations.

For example, we should remember that Yugoslavian workers do not enjoy adequate social security protection on the EEC labour market and, while they are not subject to discrimination, they are the first to feel the effects of our own economic crisis. The return of migrant workers has unfavourable repercussions on the internal structures of the various Republics and is a further factor of destabilization.

Finally there is the question of baby beef, a 'sensitive' product for the Yugoslav economy. Despite a balance of payments surplus the Community has restricted imports of this product by means of the additional protocol drawn up after the accession of GREECE, which traditionally gets its supplies of meat from the countries of the Balkan region.

6. Similarly, YUGOSLAVIA's trade with the Eastern European countries is better developed than it is with the Community or its other trading partners. Yugoslavia's dependence on the COMECON countries as a market for its exports is becoming alarming and we must hope that a more acceptable balance between the three export sectors: Eastern Europe, the THIRD WORLD and the COMMUNITY can be re-established.

7. Is the fundamental rethinking of Yugoslavia's policies forced by the worsening economic situation likely to have institutional consequences?

We do not believe that this danger is imminent. Faced with economic problems which other states had recognized and countered long ago, Yugoslavia's leaders are determined to preserve the economic and social system left by Marshall TITO, whilst admitting that certain socialist principles such as self-management have not been fully put into practice.

8. The European Community, which, because of its internal arrangements for political cooperation can only react slowly to international developments, must give tangible proof of its solidarity with a neighbour in difficulty, beginning with immediate and full recourse to the means available in the Cooperation treaty in the political, technological, financial and economic fields.

9. Action of this sort is in the Community's interest in view of the responsible and balanced political line taken by the Federative Socialist Republic of Yugoslavia as one of the non-aligned countries.

We should fully appreciate the active and, at the same time, moderating role played by Belgrade in this context in connection with the highly desirable consolidation of EEC-YUGOSLAVIA relations.

In the first place, contacts between SKOUPSTINA and the European Parliament should be increased; this step will be welcomed by our partners who realize that cooperation between the two parliaments contributes greatly to the development of relations between YUGOSLAVIA and the Community.

We should also consider information exchange in the framework of political cooperation as BELGRADE represents a unique forum for East-West and North-South contacts, particularly as regards the MIDDLE EAST. The Conference of Foreign Ministers should not push this proposal to the bottom of the pile as it usually does with Parliament's initiatives.

10. CONCLUSIONS

The economic difficulties suffered by the Federative Socialist Republic of YUGOSLAVIA and the stabilization measures which have been introduced, should prompt the Community to pursue a more open economic and financial policy towards this country.

But this process can make no progress until all the Parliaments of the Community ratify the cooperation agreement signed two and a half years ago.

At the political level we should stress the excellent cooperation which is taking shape between the parliaments; similarly we should increase contacts with a view to political cooperation in view of the important role which the Yugoslavs play within the non-aligned bloc, within the CSCE and in East-West and North-South relations because of their geographically privileged and politically independent position.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman : Mr. A. DEL DUCA

On 19 January 1983 the Committee on External Economic Relations appointed Mr Del Duca draftsman of the opinion.

The committee considered the draft opinion at its meeting of 28 January and unanimously adopted it.

The following took part in the vote: Sir Frederick Catherwood, chairman; Mrs Wiczorek-Zeul, vice-chairman; Mr Del Duca, draftsman; Mrs Baduel-Glorioso, Miss Hooper, Mr Jonker, Mr Mommersteeg, Mr Pelikan, Mrs Phlix (deputizing for Mr Majonica), Mr Radoux, Mr Reiger, Mr Spencer and Mr Ziagas.

I. THE EEC-YUGOSLAVIA AGREEMENT

On 6 February 1979 the Council of the European Communities gave the Commission directives which, while based on the model of agreements concluded with the southern Mediterranean countries in the framework of the global Mediterranean approach, took account of the special position of Yugoslavia as a non-aligned European Mediterranean state, member of the Group of 77 developing countries.

The aim was to conclude a preferential agreement, but an agreement 'sui generis', taking account of the spirit of the Joint Declaration of Belgrade of 2 December 1976.

The Cooperation Agreement was thus signed with Yugoslavia on 2 April 1980 in Belgrade.

This Agreement has not yet entered into force since Yugoslavia has not yet completed the ratification procedures.

These procedures should however be completed in the relatively near future.

It should be pointed out that the commercial and financial clauses of the Agreement have already entered into force in advance of ratification through a special procedure. They have been operational since 1 July 1980.

The Agreement is designed to promote overall cooperation between the two parties in four areas: economic and technical cooperation, financial cooperation, trade, social provisions and lastly the creation of appropriate institutions to monitor and ensure the smooth operation of the Agreement itself.

As regards economic and technical cooperation, this is designed to contribute to development in Yugoslavia in the social and economic fields and to encourage the strengthening of relations between the two sides.

This cooperation covers a large number of fields including industry, energy, scientific and technological cooperation, agriculture, transport, tourism, the environment, fishing and the financial sector.

Financial cooperation is implemented through a financial protocol covering an amount of 200 million EUA which, over a five-year period, can be committed by the EIB as own resources. This protocol entered into force on 1 July 1980.

In the field of trade the aim of the Agreement is to improve trade and take account of the need to achieve greater balance.

For this purpose the two parties have made it their aim to abolish obstacles to trade in progressive stages.

In the industrial sector products originating in Yugoslavia are exempt from import tariffs into the Community and are not subject to quantitative restrictions. However, a number of products are subject to a system of tariff ceilings.

In agriculture tariff concessions are provided for products of particular interest to Yugoslavia.

Among agricultural products mention should be made of exports of 'baby-beef'. Before the accession of Greece Yugoslavia was the major exporter of this product to Greece. Greece's accession to the EEC had led to a drastic fall in its imports of baby beef from Yugoslavia. This was particularly serious because this product was one of Yugoslavia's most important exports and affected significantly the country's balance of payments.

The Community, to take account of Yugoslav interests, negotiated with Yugoslavia an arrangement permitting exports of this quality of beef to the EEC subject to a monthly quota of 4,200 tonnes. This concession was set out in a supplementary protocol to the agreement following Greece's accession.

Exports of this type of beef to Greece, under the new arrangements, have increased by 87.3%, partly because the Community, in an autonomous arrangement, reduced the levy on these products by 50%.

In the social sector the Agreement prohibits any discrimination against Yugoslav workers employed in the Member States on the basis of nationality as regards working conditions and salaries.

With the entry into force of the Agreement a cooperation council will be set up to determine periodically the general guidelines of cooperation and monitor the smooth operation of the Agreement and to look for ways of implementing cooperation in the sectors laid down in the Agreement.

II. TRADE BETWEEN THE EEC AND YUGOSLAVIA

The Agreement has allowed Yugoslavia access to the Community market. Exports in 1982 compared with the preceding year (January-September 1982 compared with the same period in 1981) increased by 12.7% while the average rate of increase of Yugoslav exports to the rest of the world was only 6.7%.

These results are not due exclusively to the benefits deriving from the Agreement but also to the efforts to achieve economic stability made by the Yugoslav Government which recently decided to give a boost to exports and cut down on imports.

Table No. 1 shows the growth of trade between Yugoslavia and the EEC from 1976 to 1982 and it should be noted that the deficit on the trade balance with the EEC improved by approximately 500 million dollars between 1981 and 1982. Nevertheless the trade balance is still marked by a structural deficit which is partly due to the fact that this country is lacking in the industrial plant necessary to promote industrial growth.

Greece's accession to the Community has certainly had positive effects on trade since Greece has opened its market which until then had been heavily protected, to Yugoslav products. It should also be pointed out that the difficulties encountered during 1982 as regards baby-beef, although resolved at political level have still not been settled at economic level.

In conclusion there has been a certain improvement in Yugoslavia's trade balance over the last year certainly due in part to the results of the application of the Agreement.

III. CONCLUSIONS

The significance of the EEC-Yugoslavia trade agreement lies not only in the economic and financial sector but also above all in the political field. The Community must demonstrate its preparedness and its willingness to assist this country to consolidate its economic position. If Yugoslavia succeeds in consolidating its economy it will be able to show greater certainty in its foreign policy whose objectives and interests correspond in large measure to those of western Europe.

It is essential therefore that the Community, in the application of the Agreement, continues to show the goodwill and openness which have so far marked its approach.

In the field of cooperation, a 'business week' is being organized from 7 to 11 March in Belgrade, which will be of particular importance. The European Parliament approves and supports this initiative and appreciates its value.

The Committee on External Economic Relations, aware of the need to lend the broadest and most substantial support possible to the opening of the Community market to Yugoslav exports, believes that during the future operation of the Agreement the concessions to be granted to Yugoslavia should above all be aimed at granting tariff reductions rather than at quantitative increases.

This statement of principle is dictated by the undeniable difficulties which producers are at present experiencing in a number of particularly sensitive agricultural and industrial sectors in the Community. (These include in particular textile products and a number of typical agricultural products of Mediterranean regions of the EEC).

In conclusion the Committee on External Economic Relations approves the spirit and guidelines of the report of the Political Affairs Committee. It stresses that 1983 is a trial period for relations between the EEC and Yugoslavia and that both parties place great hopes thereon. The cooperation council which is shortly to be set up should adopt its own approach interpreting the political will of the Community to support Yugoslavia economically in order to preserve the political balance of the whole of the Balkan region.

TABLE No. 1
 TRADE BETWEEN YUGOSLAVIA AND THE EEC
 UN GENEVA (based on Yugoslav figures)

		1976	1979	1978		1979		1980		1981		1982	
				m \$	%	m \$	%	m \$	%	m \$	%	m \$	%
TOTAL IMPORTS		7,367	8,973	9,769	100%	14,037	100%	15,064	100%	15,757	100%		100%
of which													
- EEC 10		2,927	3,622	3,801	39%	5,801	41%	5,220	35%	5,588	35%		
TOTAL EXPORTS		4,896	4,896	5,546	100%	6,799	100%	8,977	100%	10,929	100%		
of which													
- EEC 10		1,410	1,394	1,424	26%	2,085	31%	2,368	26%	2,531	23%		
TRADE BALANCE													
- WORLD	100%	-1,471	-4,077	-4,223	100%	-7,238	100%	-6,087	100%	-4,828	100%	-2,800	-
- EEC	61%	-1,517	-2,228	-2,377	56%	-3,716	51%	-2,852	47%	-3,057	63%	±2,500	