

20/79

YUGOSLAVIA AND THE EUROPEAN COMMUNITY

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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 Stoep, 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.

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.

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.

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 1 200 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.

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 has derived most benefit from the generalized preferences scheme 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.

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.

¹ 1 u.a. = USD 1.27 = Din. 25.

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.

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 thread,
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.

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 and includes, in addition to the nine Community countries, Norway, Austria, 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. TOWARDS A NEW AGREEMENT IMPLEMENTING THE BELGRADE JOINT DECLARATION

Negotiations between the Community and the Socialist Federal Republic of Yugoslavia were resumed in Brussels on 2 and 3 July 1979, with a view to the conclusion of a cooperation agreement to replace the 1973 five-year Agreement.

The purpose of this negotiating session was to enable the two delegations to set out the positions and views of both sides on the future of EEC-Yugoslavia relations and on the results of the discussions held in

February and April 1978 and of the exploratory talks led by Mr W. Haferkamp, Commission Vice-President with special responsibility for external relations, in Belgrade in June 1978.

The two Parties strongly expressed their common will to examine more deeply their respective positions on the points on which it has not been possible to reach agreement up till now, with a view to reaching a mutually acceptable agreement as speedily as possible.

The proposed cooperation agreement is in a category of its own.

In the commercial sphere its aim will be to promote trade between the Community and Yugoslavia, taking account of the respective levels of development of their economies, and to improve conditions of access to the Community market for products originating in Yugoslavia.

In the field of cooperation, its aim will be to promote comprehensive cooperation between the Community and Yugoslavia in a very wide range of fields.

The Community would step up financial cooperation, notably for joint projects.

Industrial cooperation would 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.)

Cooperation in the fields of energy and scientific and technological research would be fostered.

The aim of cooperation in agriculture would be to intensify exchanges of information on the guidelines of the respective agricultural policies and to seek ways of achieving complementarity.

The opportunities for cooperation to bring about improvements in transport services and traffic are being studied.

Provision would be made for promoting cooperation in the tourist and environmental sectors.

6. CONCLUSION

The planned cooperation agreement would break new ground and by taking in a number of sectors of cooperation would go considerably further than the other Mediterranean agreements.

It would 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 would provide impetus in this direction: it would help towards a better understanding of mutual problems and would contribute to the development of a fruitful collaboration.

Annex: Community-Yugoslavia trade

Trend of trade between Yugoslavia and the European Community

Yugoslavia rose from 12th position among Community customers in 1968 to 11th in 1978. It occupied 25th place among Community suppliers in 1968 and 1975 and 26th place in 1978.

In 1977 more than 26.5% of Yugoslav exports went to the Community and 39.5% of its imports were of EEC origin.

Community exports to Yugoslavia

(million EUA)¹

Year	1968	1973	1974	1975	1976	1977 ²
	808	1 785	2 828	2 783	2 686	3 556
% growth	100	221	350	344	332	440

Community imports from Yugoslavia

(million EUA)

Year	1968	1973	1974	1975	1976	1977
	480	1 169	1 193	1 041	1 459	1 565
% growth	100	244	249	217	303	326

Community trade balance with Yugoslavia

(million EUA)

Year	1968	1973	1974	1975	1976	1977
Balance	+ 328	+ 616	+ 1 635	+ 1 742	+ 1 228	+ 1 991

¹ 1 EUA = USD 1.27 in 1978.

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

Yugoslavia's trade balance with the Community is showing an increasing deficit. This is due both to its import drive, based primarily on efforts to equip Yugoslav industry, and to the structural weakness of its exports, 40% of which are still basic commodities and agricultural products (meat, maize, wine, etc.).

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

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

	1974	1975	1976	1977
Industrial products %	77.2	76.3	75.5	76.5
Agricultural products %	22.8	23.7	24.5	23.5

Some 95% of Yugoslavia's imports from the Community are industrial products.

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