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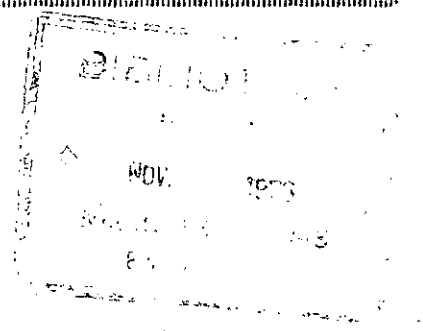
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YUGOSLAVIA: COMMODITY EXPORTS AND EXPORT POLICIES

by

Vinod Dubey



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YUGOSLAVIA: Commodity Exports and Export Policies

A. INTRODUCTION

1. Yugoslavia has managed to combine rapid economic growth with fundamental structural institutional and social change during the last two decades. The annual growth of real GNP has averaged about 6 percent with constant price value added in manufacturing and mining increasing at around 10 percent per year.
2. The Yugoslav growth experience cannot be fully appreciated or understood without viewing it in the context of the development of the unique Yugoslav economic system characterized by workers self-management and increased decentralization of decision making. Unfortunately this fascinating evolution from a centrally administered orthodox communist system and its implications cannot be discussed here--only its relevance is indicated.
3. Any discussion of export experience and export promotion in Yugoslavia should, ideally, discuss development strategy, general trade and balance of payments policies and particularly the relation of imports and export. This task is not attempted in this paper which concentrates mainly on exports of manufactures. Only incidental remarks on the broader and related issues are made where necessary.
4. Section B of the paper presents a quick review of the development experience in export trade. Section C outlines the export promotion policies of the country. Section D presents the conclusions.

1/ The views expressed are those of the author and not necessarily those of the World Bank.

B. THE DEVELOPMENT OF EXPORT TRADE

Growth of Merchandise Trade and Trade Balance

5. Yugoslavia's merchandise trade has grown rapidly during the last two decades, with an acceleration in the rate of growth in current values during the recent years of high international inflation.

Table 1

Growth of Merchandise Trade

	<u>1954</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>Growth Rate (%)</u>	
					<u>1954-65</u>	<u>1965-75</u>
<u>Value (Current US\$ millions)</u>						
Exports	240.4	1091.5	1679.1	4072.2	14.7	14.0
Imports	339.4	1288.0	2874.0	7696.7	12.9	19.6
Exports as % of Imports	71	85	58	53		
<u>Indices</u>						
Export Volume ^{1/}	100	329	434	555	11.4	5.4
Export Prices	100	138	161	305	3.0	8.2
Import Volume ^{1/}	100	312	609	807	10.9	9.9
Import Prices	100	122	139	281	1.9	8.7

^{1/} Index of exports and imports in current dollars deflated by the index of export and import prices respectively.

Source: Statistical Yearbook, Yugoslavia, various years

The growth of imports has exceeded that of exports and the ratio of the value of exports to that of imports has declined sharply after 1965. The rapidly increasing merchandise trade gap has been met partly by workers' remittances and tourism receipts (which were growing rapidly till the recent world recession and amounted to \$2.2 billion in 1974). During 1954-65 the growth of exports and imports was largely the result of increase in volumes. During the last decade the increase in export volume has declined sharply.

6. The rapid growth of foreign trade shows that Yugoslavia is a relatively open economy. The ratio of merchandise trade to GDP was around 35 percent in 1965, 33 percent in 1970 and 45 percent in 1974. The reliance on trade is high given the country's size and per capita income. ^{1/}

Growth and Commodity Composition of Exports

7. The rapid growth of merchandise exports has been accompanied by changes in the commodity composition in line with the development of the economy. The importance of agricultural goods has declined and the relative share of manufactures (SITC 5-8) in total exports has more than doubled (Table 2). Within manufactures the increase in the share of machinery and equipment (SITC 7) is particularly noteworthy.

Table 2

Commodity Composition of Merchandise Exports
(in percent)

	<u>1954-56</u>	<u>1964-66</u>	<u>1969-70</u>	<u>1975</u>
SITC				
0+1+4	33.0	26.4	19.3	11.8
2	27.6	10.7	9.6	6.9
3	1.2	1.4	0.7	0.7
<u>5+6+7+8</u>	<u>37.5</u>	<u>61.4</u>	<u>70.4</u>	<u>80.4</u>
5	4.8	5.1	6.0	9.3
6	26.6	22.9	29.5	29.0
7	3.3	21.7	21.6	28.1
8	2.8	11.7	13.2	14.0
9	0.1	0.1	0.1	<u>0.3</u>

Source: Yugoslavia 1945-64 and Statistical Yearbook, Yugoslavia, various issues.

^{1/} U.N.E.C.E. Economic Bulletin for Europe, Volume 21, No. 1, "Trade Dependence in European Countries, 1953 to 1967".

8. The impact of domestic economic development on the structure of exports is also seen in the shift away from exporting raw materials towards simply processed semi-manufactures and highly processed manufactures. (Table 3)

Table 3
Structure of Exports by Degree of Manufacturing
(in percent)

	<u>1954-56</u>	<u>1964-66</u>	<u>1969-70</u>	<u>1975</u>
Raw Materials	38	14	12	9
Simply Processed Materials and Semi Manufactures	45	35	34	28
Highly Processed Manufactures	17	51	54	63

Source: Yugoslavia 1945-64, and Statistical Yearbook Yugoslavia, 1975

The bulk of the change in this direction at the highly aggregated level of this classification, would appear to have occurred by 1965. However, significant shift towards more complex products have occurred within the group of "highly processed manufactures", for example the increased importance of machinery and transport equipment noted in paragraph 7.

9. A slightly different classification of the composition of exports-"by use of product"-also broadly exhibits the nature of structural changes in the economy (Table 4). Again it would appear that at a broad level of aggregation (investment goods, intermediates and consumer goods) significant change had occurred by 1965. However, within these broad groups change towards more complex and sophisticated items has continued since then.

Table 4
Exports by Use of Product
(in percent)

	<u>1954</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>
<u>Reproduction Goods</u>	<u>57.1</u>	<u>42.0</u>	<u>52.4</u>	<u>53.0</u>
Raw Materials & Semi-manufactures	52.1	29.1	36.2	34.4
Fuels	2.6	1.4	1.4	0.9
Manufactured goods for reproduction	2.4	11.5	14.8	17.7
<u>Investment Goods</u>	<u>2.7</u>	<u>17.2</u>	<u>14.4</u>	<u>17.1</u>
Transport Equipment	2.3	11.4	9.0	9.4
Electric Motors and Other Equipment	0.2	1.2	2.2	2.2
Agricultural Machinery	-	1.4	0.7	0.3
Other Machines & Equipment	0.2	3.2	2.5	5.2
<u>Consumer goods</u>	<u>40.2</u>	<u>40.8</u>	<u>33.2</u>	<u>30.0</u>
Food	29.7	19.7	11.5	6.8
Clothing & footwear	0.2	7.0	8.4	9.4
Beverages & tobacco	4.3	4.4	3.4	2.5
Textiles (except clothing)	2.2	3.0	2.5	2.5
Other consumers' goods	3.8	6.7	7.5	8.8

Source: Statistical Yearbook Yugoslavia, various years

Exports of Manufactures

10. The bulk of Yugoslav exports consist of manufactures and semi-manufactures--i.e. products of the country's industrial and mining sector. The share of this sector in total exports averaged 77 percent in 1956-60, 81 percent in 1961-65, 84 percent in 1966-70 and 89 percent in 1971-75.

11. The growth of exports of subsectors of industry and mining is shown in Table 5. It appears that nine industry groups viz. non-ferrous metals, chemicals, metal manufacturing, electrical equipment, wood, textiles, steel, shipbuilding and leather, have contributed about 86 percent of the total increase in merchandise exports during 1965-1975. The share of these industries in total exports increased from about 57 percent in 1960 to 65 percent in 1965 and 81 percent in 1975. During the same period their share of the GNP increased from about 18 percent to 25 percent. However, the share of these industries in the total value added in the industry and mining sector has been stable around 61-63 percent during 1960-75. In other words, on the average the major export industries have grown at a faster rate than the economy as a whole but only at about the same rate as the industrial sector as a whole.

Table 5

Exports by Industrial Branches
(million dollars)

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>Share in Increase 1965-1975 (%)</u>
Total Exports	<u>566.2</u>	<u>1091.5</u>	<u>1671.1</u>	<u>4072.2</u>	<u>100.0</u>
<u>Industry & Mining</u>	<u>423.1</u>	<u>986.0</u>	<u>1438.3</u>	<u>3707.8</u>	<u>94.7</u>
Electric Power	1.05	0.27	0.49	3.07	0.1
Coal and Coke	2.26	0.09	7.29	6.18	0.2
Petroleum	3.23	9.76	12.24	21.88	0.4
Ferrous Metals	21.07	21.24	48.06	136.71	3.9
Non-Ferrous Metals	56.51	102.59	230.58	458.47	11.9
Non-Metallic Minerals	14.58	32.47	40.24	93.47	2.0
Building Materials	1.05	1.71	2.47	5.24	0.1
Metal Manufactures	67.66	163.94	202.18	745.59	19.5
Shipbuilding	18.56	79.06	141.53	304.29	7.6
Electric Equipment	24.17	61.71	118.47	346.59	9.6
Chemicals	16.82	54.53	93.41	417.76	12.2
Pulp and Paper	7.72	18.76	32.71	55.35	1.2
Wood	68.62	96.00	127.65	270.29	5.8
Textiles	33.70	91.71	164.29	358.00	8.9
Leather	13.39	42.82	78.12	241.76	6.7
Rubber	0.11	2.94	7.76	47.18	1.5
Food	52.21	68.65	93.71	105.52	1.2
Tobacco	19.62	34.89	31.53	72.64	1.3
Other	0.77	2.86	5.57	12.24	0.3

Source: Statistical Yearbook, Yugoslavia, various years.

12. Certain aspects of the growth experience of the different branches of industry are presented in Annex Table 1 with a view to indicating the distinguishing characteristics of the major exporting industries. First, the major export industries tend to be characterised by lower capital intensity. Both capital output and capital labour ratios are lower than average for these industries. Non-ferrous metals and steel--two resource based industries--stand out among the export industries for their relative capital intensity. Secondly, the major export industries include both slow growing traditional industries like textiles, leather and wood manufacturing as well as new, rapidly growing ones like chemicals and electrical equipment. Thirdly, the major export industries include industries which have experienced rapid as well as some (e.g. textiles, leather and metal manufactures) with low growth and stagnation in productivity as indicated by trends in value added and production per worker. These comments indicate that the successful export experience of different branches has to be explained not in general terms but in terms of specific industry situations, market relations and the impact of export policy.

Export Orientation of Industry

13. The export orientation of industry as a whole has not changed significantly over the last decade (Table 6).

Table 6

Ratio of Exports to Value of Production (%)
(Current Prices and Exchange Rates)

	<u>1965</u>	<u>1970</u>	<u>1973</u>
Industry & Mining	13.3	11.3	12.1
<u>Major Export Industries</u>	<u>17.3</u>	<u>15.0</u>	<u>17.1</u>
Non ferrous metals	33.7	28.2	23.9
Chemicals	12.3	9.7	14.0
Metal Manufactures	14.9	9.1	13.3
Electrical Equipment	19.4	15.5	22.2
Wood	25.0	15.6	22.3
Textiles	11.5	12.9	12.1
Ferrous Metals	4.7	8.3	10.3
Shipbuilding	62.2	56.2	44.6
Leather	22.3	23.8	24.5
<u>Other Industries</u>	<u>6.7</u>	<u>4.9</u>	<u>3.6</u>
Pulp and Paper	11.8	10.7	10.9
Non metallic minerals	24.5	17.5	16.5
Food	6.3	4.4	2.8
Rubber	4.5	6.5	7.4
Petroleum	6.0	4.0	2.0
Coal and Coke	0.5	2.7	1.6
Tobacco	24.5	19.0	10.1
Electric Power	-	0.1	0.4
Building Materials	0.9	0.7	0.5

Source: Calculated from data in Statistical Yearbook, Yugoslavia, various years.

There is some indication that with rapid increase in personal incomes, in line with deliberate policy, after the Economic Reform of 1965 and the subsequent inflationary pressures, there was a greater absorption of production in the domestic market. The drop in the share of exports in value of production for a number of major export-industries, e.g. chemicals, metal manufactures, electrical equipment and wood manufactures during the boom year of 1970 is suggestive. There is a secular decline in the share of exports in the case of non-ferrous metals and non-metallic minerals (as they are increasingly processed to a higher degree within the country), and because of domestic consumption in the case of tobacco and processed food.

14. It is also evident from the Table 6 that if the major export industries were defined not in terms of their contribution to export growth during 1965-1975, but in terms of their export orientation, pulp and paper, non-metallic minerals and tobacco would also be included in the group. On that definition only the obviously immobile industries (e.g. building materials and electric power) and clearly import substituting industries (e.g. petroleum and rubber products) would remain outside the group of major export industries. This only serves to underline the relative outward looking pattern of Yugoslav development.

Export Diversification

15. A striking feature of the development of export trade has been the increased diversification and the very wide range of manufactured products that are exported. Annex Table 2 shows the growth of exports of engineering goods. Also, Annex Table 3 shows the rapid growth in the number of products of manufacturing (defined at the seven digit SITC level) that are exported. The extremely wide range of export commodities should have contributed to greater stability in export trade relative to countries with a high degree of concentration of exports on a few commodities. In fact the growth of exports has fluctuated widely both because of international and domestic economic factors. The average annual increase in the value of merchandise exports was 14 percent during 1965-1975, but the growth rate ranged from about 1 percent in 1968 to over 33 percent in 1974. ^{1/}

^{1/} It is noteworthy that the export volume increased by about 3 percent in 1968 and by less than 1 percent in 1974. The growth of export volume during 1965-75 ranged between 0.8 percent in 1974 and 17.5 percent in 1972.

Import Dependence of Exports

16. The export orientation of industry co-exists with a high import intensity of industrial production, particularly of the export industries (Table 7). All the export industries except wood manufactures had an import content of over 20 percent in 1970. For a number of the industries the import content of production has been rising. The net foreign exchange contribution of the exports of these industries is therefore considerably less than the value of their exports. 1/

Table 7

Import Content (Direct and Indirect)
By Industrial Branches

	<u>Import Content as % of Production</u>		
	<u>1962</u>	<u>1968</u>	<u>1970</u>
<u>Export Industries</u>			
Non-ferrous metals	14.8	26.5	34.4
Chemicals	22.7	29.7	33.2
Metal Manufactures	16.9	18.0	23.5
Electrical Equipment	19.6	22.3	27.9
Wood Manufactures	5.9	12.0	15.9
Textiles	27.0	29.1	29.5
Iron and Steel	18.7	23.2	26.9
Shipbuilding	37.4	30.9	35.5
Leather and footwear	22.9	24.0	26.3
<u>Other</u>			
Pulp and Paper	7.6	16.0	21.6
Non-metallic minerals	9.2	12.3	12.5
Food	9.8	13.2	14.1
Rubber	32.8	31.0	39.6
Coal and Coke	14.0	15.2	18.5
Tobacco	5.8	7.8	11.9
Electric Power	5.8	5.6	5.8
Building materials	8.0	7.8	8.4
Petroleum	17.2	34.1	39.6

Source: M. Seculic, Osetljivost Jugoslavenske privrede na promijene uvoznih cijena - strukturna analiza, Ekonomski Pregled, Zagreb, No. 3-4, 1972.

1/ In the case of all the export industries except shipbuilding the value of exports is exceeded by the direct and indirect import content of production. The net impact of the sector on the balance of payments is negative. This is one reason for the recent pressures for greater import substitution in raw materials and intermediate goods production. If such import substitution is high cost it could affect the export competitiveness of these industries. Of course, in the present tight balance of payments situation exports may be affected by the failure to secure exchange for imports needed in production. The issue is under discussion in Yugoslavia.

Direction of Export Trade

17. The declared objective for some time has been to direct trade increasingly to the convertible currency areas. The objective reflects the need for convertible currency earnings to pay for the imports the larger part of which are from convertible currency areas in the drive for modern technology, increased productivity and efficiency as the basis for higher standards of living. However, in practice a pragmatic policy has been followed in the face of difficulties in expanding exports to western developed country markets. These difficulties reflect structural difficulties (the necessity of upgrading quality and sophistication of producers' and consumer goods exports), competition from other sources, and protectionist policies in the markets. There has been a large increase in the relative importance of the East bloc market during the recent recession in Europe illustrating a successful diversion of exports in adjustment to the stagnation in the OECD markets (Table 8). There has been a secular decline in the share of exports going to the LDCs despite policy statements to the contrary. Partly this has resulted from a policy of converting bilateral trade agreements with these countries to a convertible settlement basis. Other factors have been the difficulty in competing with developed country suppliers, the preference of the countries themselves for sophisticated equipment, and also perhaps the absence till recently of an aggressive Yugoslav export drive to these areas. Exports to LDCs have increased very sharply in 1975 partly as a result of exports to the oil producers but also as an adjustment to the stagnation of European markets.

Table 8

Destination of Exports by Regions
(in percent)

Country	Total Exports (SITC 0-9)					Manufactured Exports (SITC 5-8)			
	1961	1965	1970	1974	1975	1961	1965	1970	1974
OECD	53	43	56	46	36	35	28	48	42
Sino Soviet	32	42	32	42	47	43	50	37	46
LDCs	15	15	11	12	17	22	22	15	12
	100	100	100	100	100	100	100	100	100

Source: OECD, Statistics of Foreign Trade, Series B, various issues and Statistical Yearbook, Yugoslavia, 1976.

13. Efforts to penetrate the OECD market were especially successful during 1965-1970 (Table 9). During this period about four-fifths of the increase in total exports and three-fourths of the increase in manufactured goods exports went to the OECD countries. The relative share of the OECD market in the increase of both total and manufactured goods exports declined sharply during 1970-74 to less than half the proportion in 1965-1970. The decline reflects the increasing difficulty Yugoslavia faced in selling to the convertible currency areas during the recession and the marginal nature of many of Yugoslav exports to the OECD countries.

Table 9

Regional Distribution of Increase in Exports 1965-70 and 1970-74
(in percent)

Region	Share in Increase			
	<u>1965 - 1970</u>		<u>1970 - 1974</u>	
	SITC 0-9	SITC 5-8	SITC 0-9	SITC 5-8
OECD	81	76	39	37
Sino-Soviet	15	19	49	52
LDCs	4	5	12	11
	100	100	100	100

Source: OECD, Statistics of Foreign Trade, Series B, various issues.

Export Performance

19. Yugoslavia's export growth is compared to that of other groups of countries in Table 10. It is evident that during the 1960's Yugoslavia's exports have increased faster than those of developed market economies and the fast growing exporters of manufactures among developing countries. The relationship was reversed during 1970-73. ^{1/} However given differences in commodity composition and in the country distribution of exports such aggregative comparisons are of limited value as indicators of export performance.

Table 10

Growth of Export Trade, 1960-1973
(percent per annum)

	<u>1960 - 1970</u>	<u>1970 - 1973</u>
Yugoslavia	11.5	19.2
Developed Market Economies	10.1	22.0
Socialist economies	8.3	20.3
Developing Countries	7.2	23.2
Major fast-growing exporters of manufactures	9.7	31.0

Source: UN, Review of International Trade and Development, 1975

^{1/} In fact the slowdown in the export growth rate of Yugoslavia started before 1970. The growth rate of exports was 14 percent in 1960-1965 and 9 percent in 1965-1970.

20. A simple analysis of the impact on the growth rate of the exports of OECD countries during 1965-73 of assuming that the commodity composition (at the SITC one digit level) and the distribution between major markets (OECD Europe, Other OECD, Sino-Soviet and LDCs) is the same as that of exports of Yugoslavia is presented in Table 11. For comparison the growth of Yugoslav exports is also given.

Table 11

Export Growth of OECD Countries, 1965-73
(assuming Commodity Composition and
Regional distribution same as Yugoslavia's exports)

	<u>Percentage Increase</u>	
	<u>1965-1970</u>	<u>1965-1973</u>
Actual Export Growth, OECD countries	79	230
Adjustment for Regional Distribution <u>1/</u>	+8	+47
Adjustment for Commodity Composition <u>2/</u>	-3	-3
(Actual Growth, Yugoslavia Exports)	(54)	(249)

Source: Calculated from data in OECD, Statistics of Foreign Trade, Series B, 1966 and 1973.

1/ The weighted average of the increase in exports of OECD area to each of the four country groups distinguished in the text, the weights being the share of these country groups in the total export of Yugoslavia. The difference between this calculated growth and the actual growth of exports of OECD countries is 8 percent in 1965-70 and 47 percent in 1965-73.

2/ The weighted average of the increase in exports of OECD area for each commodity group (at SITC, 1 digit level), the weights being the share of these commodity groups in the total exports of Yugoslavia. The difference between this calculated increase and the actual increase of exports of OECD countries is -3 percent in both 1965-70 and 1965-73.

It appears that the commodity composition of Yugoslav exports has a small negative effect on export growth while adjusting for the destination of these exports (as between major country groups) has a somewhat larger positive impact. Overall, one would conclude that even though Yugoslav exports increased somewhat faster than those of OECD countries during 1965-73, when allowance is made for commodity composition and regional distribution of exports the Yugoslav performance was somewhat poorer. However, the analysis is at a highly aggregate level. In fact, the favourable impact on the OECD export growth when adjustment is made to the Yugoslav regional distribution of exports largely reflects the relatively greater importance of the Sino Soviet countries in the pattern of Yugoslav trade. The exports of OECD countries to the Sino Soviet countries increased about 25 percent faster than their total exports during 1965-1973 (over 20 percent per year as compared to total export growth rate of 16 percent per year). Yugoslav exports to these countries increased much more slowly, for Yugoslav policy during this period was to divert exports to the convertible currency areas, particularly to Western Europe, and to reduce the size of Yugoslav clearing account balances in bilateral trade.

21. The changing share of exports of manufactures from Yugoslav in the total imports of manufactures of the European OECD countries is shown in Table 12. Yugoslav policy has been to increase exports to these countries. It is evident that Yugoslav exports to this market have increased faster than the exports of other countries. This would support a judgment of good export performance.

Table 12

Share of Yugoslavia in Total Imports, OECD Europe
(in percent)

SITC	OECD Europe				EEC			
	1961	1965	1970	1973	1961	1965	1970	1973
5	0.2	0.2	0.3	0.3	0.1	0.2	0.3	0.3
6	0.3	0.4	0.7	0.8	0.3	0.5	0.9	0.8
7	-	0.1	0.3	0.5	-	0.1	0.3	0.4
8	0.6	0.8	1.0	1.5	0.7	0.9	1.4	1.7
Total 5-8	0.2	0.3	0.5	0.7	0.2	0.4	0.4	0.7

Source: OECD, Statistics of Foreign Trade, Series B, various issues.

22. Table 13 compares the growth of Yugoslavia's exports of manufactured goods (SITC, 5-8) in four different markets with the growth of exports of manufactures into the same markets of the OECD countries (which roughly may be taken as synonymous with the developed market economies). It is evident that the relatively slower growth of total exports of manufactures of Yugoslavia was essentially the result of the slower growth of Yugoslav exports to the Sino-Soviet countries and the LDCs. During 1965-1973 the manufactured exports of Yugoslavia to these markets increased at between 30-40 percent of the increase of the exports of the OECD countries to them. In the markets of the OECD countries, however, Yugoslav exports increased significantly faster. It could be argued that the good performance in the OECD markets was at the expense of the other markets and reflected the diversion of exports from them to the OECD markets. In the case of the Sino-Soviet countries the relatively slow increase, more probably was the result of limited needs for imports from those areas and the policy of not accumulating excessively large surplus balances with them. The relative stagnation of exports to the LDCs appears more clearly to reflect a poor export performance.

Table 13
Yugoslavia and the OECD Countries:
Percentage Increase in Exports of Manufactures, 1965-1973

	Exports to				
	World	OECD Europe	Other OECD	Sino-Soviet	LDCs
<u>SITC 5</u>					
Yugoslavia	196	285	247	176	76
OECD countries	239	288	175	197	188
<u>SITC 6</u>					
Yugoslavia	229	312	416	216	42
OECD countries	200	237	116	477	163
<u>SITC 7</u>					
Yugoslavia	174	1463	185	79	91
OECD countries	265	285	257	361	211
<u>SITC 8</u>					
Yugoslavia	207	221	343	190	6
OECD countries	254	320	178	398	163
<u>Total SITC 5-8</u>					
Yugoslavia	202	409	357	145	69
OECD countries	239	273	192	363	190

Source: Calculated from data in OECD, Statistics on Foreign Trade, Series B.

23. It is not possible from the very rough analysis attempted above to come to a clear conclusion about Yugoslav export performance. The material is suggestive, not conclusive. Broadly one could perhaps speak of a good, but not an exceptional export performance in foreign markets.

C. EXPORT PROMOTION POLICIES

Development Strategy

4. It is difficult to classify Yugoslav development strategy into the import-substitution export promotion dichotomy. Import substitution and export promotion do not appear to have been seen as alternatives but were followed in different sectors at different times. Thus in the early postwar period of inward-looking development, industries were protected but their exports were subsidised. At the same time the producers of basic raw materials and agricultural goods were not protected but their exports were taxed. In the later stage of outward orientation of growth import substituting investments and export promoting efforts were carried on simultaneously.

25. During the initial postwar period a distinctly autarkic development strategy was adopted and despite the movement towards self-management and decentralization from around the fifties an inward-looking development strategy continued for some time. Unsuccessful attempts at foreign trade reform were made in 1952 and 1961. During this period exports of certain commodities were encouraged, but essentially to secure foreign exchange to pay for necessary imports. An exchange reform in 1961 devalued the currency and established a customs tariff. A major shift in policy occurred with the Economic Reform of 1965. The Economic Reform had as one of its objectives the better integration of the Yugoslav economy with the world economy as an essential element in the drive towards economic efficiency, increased productivity, and higher standards of living. The dinar was devalued, customs tariff rates were halved, imports were liberalized and the foreign exchange regime overhauled. Since then the development strategy has been strongly outward looking. Foreign trade has been clearly viewed as an engine of growth. Following the very severe balance of payments problem after the rise in international oil prices and the subsequent world recession, attention has shifted, in the preparation of the 1976-80 Five Year Plan, towards developing domestic production of domestic raw materials and intermediate goods. Statements regarding reducing import dependence had been made in earlier five year plans but investment decisions were not geared to that objective. The situation could be different. The "new" system of planning that has now been instituted aims to make the plan targets (which are still arrived at by a process of discussion, consultation and agreement from the enterprises up, within general guidelines provided from above) into a binding commitment rather than an indicative guide. However, it is too early to be conclusive.

General Economic Policies

26. General economic policies and the evolution of the institutional framework has had implications for export performance. Since the Economic Reform Yugoslavia has experienced rates of inflation significantly higher than those

prevailing in its main foreign markets. The cost of living index increased at around 8 percent per year during the 1966-1970 and at about 19 percent per year during 1970-1975. During the same periods the wage per person in the social sector increased at about 14 percent and 22 percent per annum respectively. Industrial producer prices which increased at about 3.5 percent per year in the latter half of the 1960's rose at a rate of about 18 percent per year during the first half of the seventies.

27. The impact of the domestic inflation--reflecting both cost push and excess aggregate demand--on exports was cushioned by the flexible exchange rate policy that was followed. The dinar was devalued twice in 1971--by 16.7 percent in January and 11.3 percent vis-a-vis the dollar in December--to a rate of 17 dinars to the dollar. In February 1973 the dinar followed the US dollar devaluation of 10 percent, and the effective (trade weighted) devaluation of the dinar against the OECD countries was about 8 percent. Since 1973, there has existed a limited foreign exchange "market" in which authorised commercial banks buy and sell exchange at rates which the National Bank controls through market intervention. The "market" exchange rate averaged 17.39 dinars to the dollar in 1975 and 18.18 dinars to the dollar in January-April 1976.

28. The anti-inflationary measures taken in the past were also geared to work in favour of exports. An important element of price control policy has been to keep prices of basic raw materials low as an anti-inflationary step to prevent escalating price increases. This would tend to increase profitability of the processing and finished products industries most of which, as has been discussed earlier, are export industries. The policy could be viewed as providing a subsidy to the export industries. Also restrictive credit policies adopted on several occasions have not been applied to export credits. For example, in 1972 the expansion of bank credit was limited to 2 percentage points between end August and end December, but credit for exports was exempted.

Tariff and Trade Policy

29. The general trend towards import liberalization till the temporary reversal following the severe balance of payments pressures of last year have also worked towards strengthening the basis of industrial development and should have, therefore, had a favourable impact on exports in the long run. The trend has been towards lower tariffs, though short-term measures to protect the balance of payments have operated in the reverse direction. The average level of customs tariffs was reduced from about 23 percent to about 12 percent in 1965. Average tariffs, admittedly, are notoriously misleading, and protection for specific items may still be quite high. While average tariff levels are low the tariff protection enjoyed by the metal products and the electrical equipment industries is almost twice as high. In mid-1972 tariffs on 1,100 import items--mainly investment goods, transport equipment and raw materials--were reduced by 1 to 12 percent. (This could raise effective protection levels in certain sectors, and consequently the overall effect on protection levels of such measures requires study.) Effective tariff rates for metal products and electric equipment range from 7 percent (shipbuilding) to 80 percent (cables and conductors) (Table 14).

TABLE 14: Nominal and Effective Tariffs by Industry

	Nominal Tariff (%)	Effective Tariff (%)		Nominal Tariff (%)	Effective Tariff (%)
Energy			Wood products		
Electricity	0.0	-0.45	Timber and boards	1.2	0.83
Coal	0.0	-2.29	Final wood products	19.5	19.50
Coke and gas	8.0	30.29	Chemical wood products	10.0	18.24
Crude petroleum and natural gas	7.0	7.73	Textiles and clothing		
Crude petroleum products	10.0	18.73	Hemp and flax fiber	5.0	9.69
Metallurgy			Cotton yarn and fabrics	16.7	35.54
Iron ore	1.0	2.53	Woolen yarn and fabrics	14.5	36.83
Ferrous metallurgy	11.2	23.90	Other yarn and fabrics	12.8	20.41
Nonferrous metallic ores	1.2	-1.33	Knitted goods	12.9	14.09
Alumina and aluminium	1.0	4.23	Made-up clothing	22.3	42.18
Other nonferrous metals	1.3	4.09	Other textile products	17.3	39.30
Rolling mills of nonferrous metals	9.1	33.34	Leather and rubber		
Nonmetals			Leather and fur	10.5	33.66
Nonmetallic minerals	2.7	1.64	Leather footwear	21.1	41.51
Glass	13.5	21.24	Leather fancy goods and made-up articles	18.7	33.44
Refractory material	5.3	8.46	Rubber	12.7	18.20
Porcelain and ceramics	15.0	21.72	Food Products		
Other processing of nonmetals	7.1	9.19	Milling of cereals	3.0	2.80
Stone, sand and lime	3.0	2.64	Bread and pastes	11.6	16.39
Bricks and tiles	4.0	4.56	Livestock slaughter and meat preparations	10.4	24.38
Cement	10.0	16.66	Fruit and vegetable preparations	6.1	4.38
Other building materials	11.0	18.02	Sugar	6.1	26.43
Metal products and electric equipment			Sweets and cocoa products	9.6	18.58
Metal semiproducts	22.9	45.63	Vegetable oils and fats	5.5	16.22
Agricultural machines	20.6	35.18	Alcohol and beverages	21.0	39.74
Other machines and equipment	38.3	45.90	Other foodstuffs	6.0	18.97
Tractor parts and accessories	26.5	47.87	Permeated tobacco	5.0	12.41
Rail vehicles	23.4	33.68	Tobacco manufactures	20.0	66.21
Road vehicles	26.7	41.77	Others		
Metal products, not elsewhere specified	17.5	26.17	Printing, publishing and allied industries	0.0	-3.03
Shipbuilding	13.3	6.97	Motion picture production	0.0	-1.16
Electrical machinery and apparatus	29.3	49.33	Miscellaneous industries	21.6	40.42
Electrical apparatus for household use	30.5	61.57	Agriculture		
Cables and conductors	23.0	79.91	Crop farming	1.5	1.07
Radio and telecommunication equipment	26.4	39.56	Fruit growing and viticulture	6.0	6.29
Other electrical products	20.0	34.22	Livestock breeding	3.9	9.81
Chemicals			Fishing	2.0	0.06
Nonorganic and organic chemicals	5.7	7.74	Forestry		
Plastic materials and fibers	8.6	12.09	Forestry	1.0	0.66
Pharmaceutical products	19.6	13.58			
Soap and cosmetics	17.5	35.34			
Plastic articles	18.3	36.90			
Other chemicals	10.7	16.75			
Paper and cellulose	7.3	19.34			
Paper products	15.0	32.44			

SOURCE: *Efektivna Carinska Zasluga v Jugoslavije* (Ljubljana: Ekonomski Institut, Pravne Fakultete, 1972).

30. The import system distinguishes between liberalized imports, conditionally liberalized imports, imports under global exchange quota and those under commodity quotas and licences. The proportion of imports under the fully liberalized category was 16.9 percent in 1967, 28.7 percent in 1971, and about 50 percent in 1973. In April 1974 a further 5 percent of imports was shifted to this category. The balance of payments pressures of 1974 led to a temporary reversal of the policy. Import deposits were introduced in 1974. In 1975, import surcharges were increased from the existing 2 percent and 6 percent to 5 percent and 10 percent respectively depending on the type of commodity that was imported. A procedure of special licensing for imports was instituted in 1975 covering nearly a third of total imports. The measures were clearly short run. The import deposit requirements lapsed at the end of 1974 and the special licensing procedure at the end of 1975. The experience indicates that while the policy objective is liberalization, the government takes a pragmatic approach and does not hesitate to adopt measures which temporarily reverse the trend.

Fiscal and Credit Instruments

31. Extension of credit through the National Bank for selective regional/sectoral objectives has been a major instrument for achieving national objectives. Selective credit policy has been geared to export promotion both in terms of more favourable availability conditions during periods of credit restriction and concessionary terms. In the setting of annual monetary targets, privileged rediscount facilities with the National Bank up to a certain amount are earmarked for export refinancing. The rediscount rate is 3 percent compared to the general rediscount rate of 6 percent. The interest rates commercial banks charge on export credits is 4 percent compared to the usual rate charged for other credit of around 11 percent. ^{1/} Almost the whole increase in National Bank's credits during recent years has consisted of rediscount and other credits for selective purposes.

32. Yugoslavia has also developed a facility for providing medium-term finance credit to the exports of machinery and equipment. With decentralization the Export Credit and Insurance Fund has become an autonomous association of enterprises and banks with participation also from the republics and the Federal government. About \$24 million were extended as suppliers credits in 1960. The flow increased to about \$140 million in 1969, but declined to \$72 million in 1971. It increased again to a level of \$150 million in 1973. About 83 percent of the credits disbursed during 1969-73 were to convertible currency areas. The disbursement of export credits during this period average about 23 percent of the exports of machinery and transport equipment during this period. The total export credits outstanding at the end of 1974 was over \$700 million. The balance of payments pressures of recent years has constrained Yugoslavia's ability to increase exports of capital goods particularly to the non-oil developing countries which are short of exchange themselves.

^{1/} Credit for agriculture is also given at similar subsidised rates.

33. There also exists a system of rebates of customs duties on exports. It appears that rebates are paid on an average basis and are calculated for 21 sectors to cover direct and indirect import content on the basis of the latest input/output table. Table 15 shows the average rates of rebate by sectors. The rebates are not related to the import duty paid on imported inputs by the exporting enterprises, nor are they calculated for each enterprise. The system reflects the difficulty of working a more specific rebate system, given the Yugoslav system of portmanteau enterprises covering a large variety of activities and extended self-management within the enterprises.

Foreign Exchange System

34. A system of multiple exchange rates was used as an instrument of trade policy essentially till 1961. In 1967 for example the average export exchange rate was about 40 percent higher for exports than for imports. Within exports the rates varied for different commodities, with agricultural exports facing an unfavourable rate (equivalent to an export tax averaging 20 percent) and industrial exports a favourable exchange rate (equivalent to an average export subsidy of 21 percent). In 1961 a unitary exchange rate and a system of export premia, taxes and subsidies was introduced. These were abolished in 1965. Since then retention quotas have been the main device for export stimulation. The percentage of export receipts that could be retained by exporters varied from 7 to 20 percent, and rose with increasing share of exports in output and with increasing growth in the amount of exports. (See Annex Table 4). The enterprises are allowed to use the "retained" exchange in any way they desire. In June 1972, retention quotas were increased to 20 percent for nearly all exports of goods and services, 45 percent for tourism earnings and 100 percent for earnings of enterprises operating abroad (e.g. construction enterprises engaged in construction abroad). With increased liberalisation of the import regime and the current account surpluses of 1972 and 1973 the incentive effect of the device was perhaps limited. For example in October 1973 enterprises were no longer required to pay for certain imports from their foreign exchange retention quotas but were allowed to obtain foreign exchange directly from the commercial banks (which were operating in the "limited" foreign exchange market set up that year). In the present tight foreign exchange situation the availability of "own" exchange is an advantage and the retention quota device is again an incentive for exports.

35. A system of explicit linking of the right to imports to exports performance has also been recently instituted. The scheme was started on an experimental basis in the spring of 1975. It appears to operate on the basis of an agreed import-export plan for the enterprises in a given branch of industry, with the export contribution of each enterprise and its share in imports (of inputs, etc.) specified. Enterprises failing in meeting agreed export levels could be penalised by reduced allocation of imports. The performance on the plan is reviewed by a control board set up by the branch of industry itself. The system appears to be complex and difficult to implement and is likely to be reviewed and modified.

Table 15

IMPORT AND EXPORT CHARGES, 1970-74

	Import Duties ^{1/}			Export Rebates
	Average	Inter- mediate goods	Invest- ment goods ^{2/}	Consumer goods
Electric power	0	0		0
Coal and coke	1.1	1.1		1.0
Petroleum and derivatives	2.3	2.3		2.5
Ferrous metallurgy	9.7	9.7		1.0
Non-ferrous metallurgy	2.1	2.1		1.0
Non-metallic mineral products	10.6	9.1		1.0
Metal products	14.9	16.9	12.5	24.4
Ships	0.5		0.6	4.0
Electrical apparatus	14.7	15.3	13.2	18.0
Chemicals	9.0	8.3	16.1	15.7
Building material	3.3	3.8		
Wood products	6.8	4.4	16.2	17.2
Pulp and paper	9.7	8.5	17.4	19.2
Textiles	10.0	5.9	14.6	19.2
Leather and shoes	12.4	10.9		19.7
Rubber products	12.3	12.0		15.1
Food products	2.0	1.8		2.4
Printed material	3.7	0		8.2
Tobacco products	10.5			10.5
Films	3.9	5.9		3.7
All industrial products	9.3	8.0	11.8	15.6
Agricultural products	2.3	1.0		3.1
Forestry products	0.4	0.3		6.2
Total	9.1	7.5	11.8	11.6

^{1/} All rates are computed as weighted averages (through actual volumes of imports). In addition, one percent service charges and three percent equalization tax are levied across the board.

^{2/} Investment good imports for "priority industries" receive a reimbursement of the difference between actual rate and five percent.

^{3/} Standardized rebates for incorporated imported inputs; presumably computed from input-output table.

^{4/} Averages.

Encouragement of Joint Ventures and Cooperation Agreements

36. Direct foreign investment has been encouraged as part of the process of fuller integration in the world economy and the search for efficiency that accelerated with the Economic Reform. The permitting legislation was enacted in 1967. The access to technology, skills, and marketing channels provided by foreign investment, in addition to finance, were viewed as having favourable economic effects. Joint ventures are expected to be "export-oriented". The joint venture enjoys the normal retention quota of 20 percent of export earnings plus another 33 percent to be used for profit remittances and capital repatriation. A large number of joint ventures have been started, though the direct investment of foreign capital involved is fairly modest. 1/ The ventures have been concentrated largely in the metal, electrical equipment and chemical industries, indicating their importance as a vehicle for knowhow. Their direct contribution to the growth of exports is not very clear. Joint ventures are expected to be "export-oriented" but whether in fact and the extent to which they have had an impact on exports is a matter for detailed study. 2/

37. Yugoslav enterprises have also adopted widely the practice of entering into long-term cooperation agreements with foreign manufacturers either for producing for export to third markets or for producing parts for production lines of the original manufacturers. About 437 such agreements had been signed by mid-1976. Such agreements have been particularly important in the metal working and the electronics industries. It is estimated that cooperation agreements account for about 1.5--2.5 percent of imports and 3.4 to 4.4 percent of exports. 3/ It would appear that they have had only a small net impact on net foreign exchange receipts especially when one recalls that total exports are about half the level of total imports.

1/ About 145 joint ventures had been registered by mid 1976. More than 60% of these were from the USA (23%), Germany (21%) and Italy (17%).

2/ See also C.R. Chittle, "Direct Foreign Investment in a Socialist Labour Managed Economy--The Yugoslav Experience", Weltwirtschaftliches Archiv, Band 111, Heft 4, 1975.

3/ In 1975 goods valued at about \$291 million were imported for processing and re-export and goods valued at \$384 million were exported. This indicates a low level of domestic value added in this trade. It is not clear whether all the trade to be attributed to long-term cooperation agreements consists of what the Yugoslavs call "active improvement trade"--imports for processing and re-exports. One would imagine that not all cooperation agreements would involve imports for processing/ manufacture and exports. The Yugoslav producer may be using local supplies and inputs to provide components for production lines for the European manufacturers.

Import Policies of Developed Countries

38. The import restrictions in the developed country markets on commodities of export interest to Yugoslavia have been, as for other developing countries, an important constraint on export growth. This constraint has been tackled in international fora and by direct trade negotiations. Yugoslavia is one of the major beneficiaries of the general preferences scheme. About \$370 million of Yugoslav exports to the EEC in 1974 were under the community's generalized preference system. However some of these exports would have occurred even without the scheme. A three-year trade agreement was negotiated with EEC in March 1970, under which Yugoslavia secured preferential treatment for a number of agricultural products particularly baby beef. Yugoslavia has a major meat exporting industry with 90 percent of the exports of live animals and meat going to the EEC. Exports of these items increased from \$159 million in 1970 to \$251 million in 1973 but collapsed to \$148 million following a ban on beef imports by the EEC in 1974. This incident highlights the impact of the import and protection policies of the developed areas on Yugoslavia's economic fortunes.

D. CONCLUSION

39. Yugoslavia has sustained a fairly successful record of economic growth and structural change for a long period of time. It has followed a pragmatic but broadly outward oriented development strategy. Again broadly, and with short-term reversals to the trend, it has been following a policy of greater import liberalization and lower protection with the object of developing a more competitive industrial base. While there has also been the objective of re-orienting trade to the convertible currency areas and the developing countries Yugoslavia has had limited success in penetrating these markets. Particularly during the last two years there has been a sharp return to the traditional pattern with bulk of the exports going to the Comcon countries. Yugoslavia has used and still uses most of the traditional export promotion techniques. It is difficult to quantify the export subsidy equivalent of these measures. It would appear that the retention quota and the availability of credit for export production on concessionary terms are the major promotional devices. However, more important than these in determining future export growth would appear to be the continuation of the acceleration in growth of the developed countries and success in multinational trade negotiations for increased access to these markets including reduction in non-tariff restrictions.

Table 1

Growth of Industry and Mining

Industry and Mining	Value added, 1974	Employment, 1974	Value Added Per Worker, 1974	Production 1974	Productivity	Fixed Assets Per Worker,	Fixed Assets Per Unit of Output, 1973
	(1) (1965=100)	(2) (1965=100)	(3) (1965=100)	(4) (1965=100)	(5) (1965=100)	(6) (1965=100)	(7) (1965=100)
Industry and Mining	193	130	149	152	117	113.7	3.06
Export Industries	198	136	145			92.9	2.13
Non-ferrous metals	195	129	150	152	118	206.3	3.31
Chemicals	315	159	198	212	133	161.8	1.86
Metal manufactures	184	138	133	135	98	81.0	1.93
Electric equipment	229	145	158	172	119	56.2	1.94
Wood	173	128	147	151	128	57.2	2.43
Textiles	156	113	134	124	90	260.9	2.19
Ferrous Metals	212	129	165	158	119	114.5	4.80
Shipbuilding	230	130	177	184	133	46.7	1.68
Leather	137	143	96	100	70	92.9	1.73
Other Industries	185	118	157			221.3	6.27
Pulp and paper	201	139	145	151	109	208.9	5.67
Non-metallic manufacture	177	118	150	156	141	90.7	2.45
Food	161	146	110	125	92	120.1	2.43
Rubber	216	165	131	143	87	86.7	1.95
Petroleum	299	175	171	155	89	436.6	5.50
Coal and Coke	102	79	130	130	165	175.8	5.66
Tabacco	132	81	151	145	179	99.2	3.75
Electric Power	257	128	201	189	148	1,182.5	3.56
Building Materials	201	103	195	193	187	59.9	2.61
(Other Industries Excluding Electric Power)						(131.5)	(3.06)

a/ Total active fixed assets in 1973 valued at purchase prices as a ratio of employment in 1973.

b/ Total active fixed assets in 1973 valued at purchase prices, adjusted to 1965 prices as a ratio of value added at 1966 prices.

Source: Calculated from data in Statistical Yearbook, Yugoslavia, 1975

Table 2

YUGOSLAVIA: Exports of Engineering Products 1965, 1970, 1974
(US\$ millions)

	1965			1970			1974			Increase 1965-1974		
	West Europe	East Europe	Total	West Europe	East Europe	Total	West Europe	East Europe	Total	West Europe	East Europe	Total
711 Power generating machinery	0.7	2.8	3.5	3.8	9.0	12.8	8.5	22.2	30.7	7.3	19.4	26.7
712 Agricultural machinery	5.2	4.1	9.3	0.5	2.8	3.3	1.5	6.6	8.1	1.4	2.5	3.9
714 Office machinery	0.2	0.4	0.6	-	0.7	0.7	5.8	1.3	7.4	5.7	0.9	6.6
715 Metal working machinery	0.7	4.2	4.9	3.3	2.5	5.8	3.3	12.9	16.7	2.6	8.7	11.3
717 Textile and Leather Machinery	0.1	2.0	2.1	0.3	3.1	3.4	3.1	3.5	6.6	3.0	1.5	4.5
718 Special Industrial Machinery	0.2	2.5	2.7	0.7	1.5	2.2	0.8	7.5	8.3	0.6	4.0	4.6
719 Other special machinery	0.8	5.4	6.2	15.6	14.1	29.7	19.9	62.2	82.1	15.1	67.5	82.6
722 Electrical power machinery	2.3	4.0	6.3	19.5	13.5	33.0	36.4	23.7	60.1	34.1	21.7	55.8
723 Equipment for distributing electricity	1.9	20.6	22.5	5.4	17.9	23.3	13.9	56.4	70.3	11.9	33.8	45.7
724 Telecommunications apparatus	3.3	2.4	5.7	2.2	8.5	10.7	11.4	23.2	33.9	8.7	20.4	34.1
725 Domestic electrical equipment	0.7	2.6	3.3	5.1	4.6	9.7	35.4	20.2	55.6	34.7	17.6	52.3
726 Medical apparatus	-	0.1	0.1	0.2	0.2	0.4	0.7	1.5	2.2	0.7	1.4	2.1
729 Other electrical machinery	0.9	4.1	5.0	6.2	9.8	16.0	21.4	31.4	52.8	20.5	27.3	47.8
731 Railway vehicles	0.7	30.6	31.3	1.3	6.1	7.4	5.0	19.2	30.2	4.3	-11.4	-7.1
732 Road motor vehicles	2.9	7.8	10.7	9.8	7.4	17.2	34.1	45.5	62.6	31.2	37.7	75.1
733 Road vehicles other than motor	0.7	4.2	4.9	9.0	1.1	10.1	24.2	1.5	25.7	23.5	-2.6	22.2
734 Aircraft	-	-	-	0.1	-	0.1	-	3.3	3.4	-	3.3	3.4
735 Ships and boats	0.7	56.5	57.2	49.8	53.6	103.4	124.0	20.0	224.4	123.3	-38.5	185.8
Total	16.7	157.2	173.9	121.7	156.4	278.1	349.4	362.1	611.5	332.7	278.9	607.8

Source: ECE, Bulletin of Statistics on World Trade in Engineering Products, 1965/1970 and 1975

Table 3

1/
NUMBER OF EXPORT ITEMS OF MANUFACTURES

<u>SITC</u> <u>Category</u>	<u>Product</u>	<u>1961</u>	<u>1971</u>	<u>1975</u>
5	Chemicals	101	246	235
51	Chemical elements and components	34	102	105
52	Mineral tar, chemicals from coal	5	2	2
53	Dying and tanning materials	17	21	23
54	Medicinal and pharmaceutical products	9	31	36
55	Oils, perfumes and cleaning materials	11	24	10
56	Fertilizers manufactured	2	7	6
57	Explosives and pyrotechnic products	-	9	8
58	Plastics	-	19	19
59	Other chemicals	23	31	26
6	Manufactured goods classified by material	293	593	618
61	Leather and skin manufactures	16	25	22
62	Rubber manufacturing	10	26	26
63	Wood and cork manufactures	40	46	47
64	Paper manufacturing	12	50	46
65	Textile yarn and fabrics	49	110	96
66	Non-metallic mineral manufactures	39	83	89
67	Iron and steel manufactures	3	67	84
68	Non-ferrous metals	59	58	66
69	Other metal manufactures	65	128	142
7	Machinery and Transport Equipment	196	372	427
71	Non-electrical machinery	98	175	209
72	Electrical machinery	63	140	144
73	Transport equipment	35	57	74
8	Miscellaneous manufactures	147	272	293
81	Sanitary, plumbing, heating manufactures	10	12	12
82	Furniture	10	20	21
83	Travel goods, handbags	5	8	8
84	Clothing	39	63	58
85	Footwear	14	15	16
86	Scientific, optical goods, watches	29	64	76
87	Other	40	90	102
<u>Total</u>		<u>737</u>	<u>1,483</u>	<u>1,573</u>

1/ Seven digit items in the SITC - classification

Source: Statistics of Foreign Trade of the SFR Yugoslavia, 1961, 1971 and 1975

Table 4

Retention Quota Rates

	Percentage of Foreign Exchange Retained			
	Basic Goods	Exporters of Selected Capital Goods and Pharmaceuticals	Exporters of Road Motor Vehicles and Tractors	Exchange Receipts from Catering Services
I. Rates based on ratio of exports sales to total sales				
<u>Export shares</u>				
0 - 20 per cent	7.0	10.0	12.0	20.0
21 - 30 per cent	8.4	12.0	14.4	24.0
31 - 40 per cent	9.3	14.0	16.8	28.0
41 - 50 per cent	11.2	16.0	19.2	32.0
51 - 60 per cent	12.6	18.0	21.6	36.0
61 -100 per cent	14.0	20.0	24.0	40.0
II. Incentive rates based on the rate of increase of exports over the past year^{1/}				
<u>Annual growth of exports</u>				
10 - 25 per cent	8.75	12.5	15.0	25.0
Over 25 per cent	10.50	15.0	18.0	30.0
III. Special fixed retention rates applying to exports of specific goods and services				
Organising of international fairs				20.00 per cent
Newly mined gold sold to the National Bank			up to	20.00 per cent
Hotels				20.00 per cent
Representation of foreign firms				50.00 per cent
Sales of stamps for philatelic purposes				50.00 per cent
Travel agency services and organising of hunting trips				60.00 per cent
Sales of printed matter, films, gramophone records				100.00 per cent
Construction, engineering, and other projects abroad				100.00 per cent
Foreign exchange receipts of non-economic institutions				100.00 per cent

^{1/} Applicable only to firms whose export sales are less than 20 percent of their total sales.

Source: Data supplied by Yugoslav authorities.

