

Yugoslavia Sets Liberalization Agenda

By Tatjana Buric

It is a little confusing for exporters when one country has more than one set of rules for trading. Having survived a decade of strife, Yugoslavia is in the process of resolving regional differences and consolidating trade practices into one regime that is shaping up to be more liberal than those of some of its neighbors.

In July 2002, Serbia (without Kosovo) and Montenegro began negotiations for the adoption of a new constitutional charter that will redefine their relationship.

In the future, the two republics will maintain separate monetary systems, central banks and currencies. However, they will be considered as one state for external purposes—sharing a joint customs system, foreign trade policy, free international trade system and payment operations system.

Customs tariff rates will gradually increase in Montenegro and decrease in Serbia over the next three years to match prevailing customs rates in the European Union (EU).

For now, there are three distinct trade areas in Yugoslavia:

- Republic of Montenegro
- Federal Republic of Yugoslavia, implemented in Republic of Serbia and its Vojvodina Province
- Kosovo Province, located within Serbia

Though the Federal Republic of Yugoslavia has yet to fully unite these disparate trading regions, the country took a major step toward international economic integration in 2002 by enacting a liberalized trade regime.

This regime's new schedules and tariffs

were wholly adopted by Serbia—with general reductions from earlier rates specified in 5 percent increments up to a maximum 30 percent (plus 0.5 percent as a registration fee).

Montenegro also signed up for the liberalization agenda and took it a step further—a 2002 tariff schedule even more liberal than Serbia's. Montenegro reports a zero tariff on most agricultural products, while customs registration fees are 1 percent.

Kosovo has its own customs and tariff codes regulated by the United Nations Mission and provisional local government. Tariff rates are a flat 15 percent.

VAT Added

The government of Yugoslavia also announced a value-added tax (VAT) for agricultural products (except for soybeans and

soybean meal, which were not renewed after expiring). These VAT rates usually range from 3 to 12 cents per kilogram (2.2046 pounds), depending on the product.

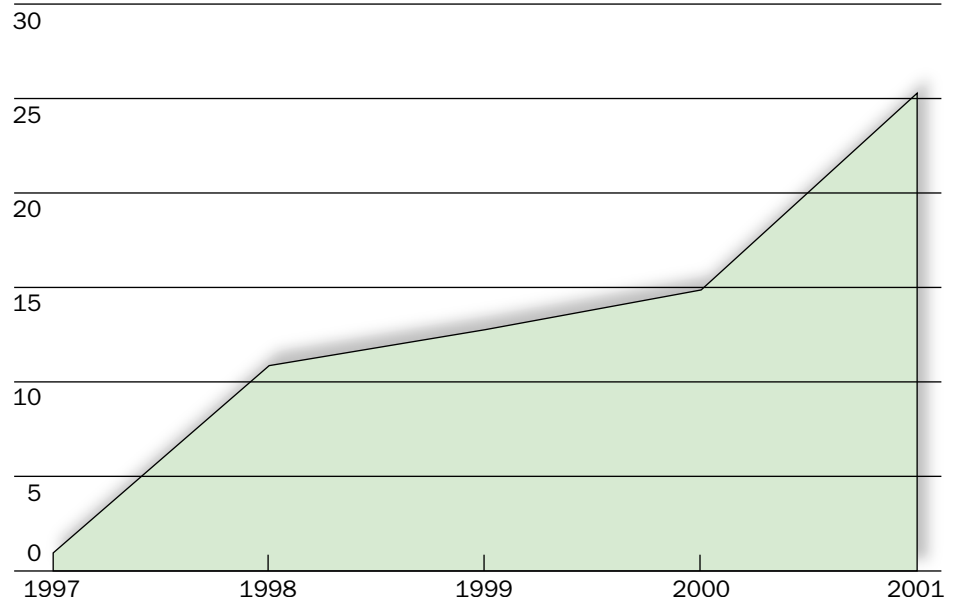
Serbia adopted this national Yugoslavian VAT rate. Montenegro, on the other hand, has chosen not to apply the import VAT on the same products as Serbia, but is charging a 20-percent import tax on 10 products, mainly fruits and vegetables, during certain times of the year. Kosovo has variable VAT rates.

Where Yugoslavia Stands

The government of Yugoslavia needs to unite the different trade areas in order to be effective in the international trade arena. Being isolated from major trade and diplomatic channels for 10 years has made for slow going, but Yugoslavia is trying to meet the requirements of several bilateral

U.S. Agricultural Exports to Yugoslavia Swing Up

\$ Million



Intermediate products accounted for \$22 million of U.S. agricultural exports in 2001.

and multilateral trade agreements:

- The government has applied for membership and was granted observer status in the World Trade Organization (WTO).
- With EU membership as an ultimate goal, negotiations are underway for signing a Stabilization and Association Agreement with the EU by mid-2003, and for joining with eight other Central and East European countries as part of the South and East Europe Free Trade Area.
- Yugoslavia has signed a preliminary declaration of cooperation with European Free Trade Association (EFTA) countries that provides equal treatment of Yugoslav products in the EFTA members—Switzerland, Norway, Iceland and Liechtenstein.
- A free trade agreement with Russia was concluded in August 2000 that will eliminate Russia's import barriers for Yugoslav products by 2005.
- Other agreements have been signed with Macedonia, Bosnia-Herzegovina and Hungary.

Best Prospects for U.S. Exporters

During 2001, U.S. exports to Yugoslavia amounted to \$25.3 million. The major export—soybean meal worth \$11 million—was part of a humanitarian aid program; wheat flour was the second largest U.S. export.

Though U.S. poultry exports are expected to flow smoothly once U.S. health certificates are accepted, all U.S. exporters should be aware of and well informed on local requirements to prevent entry problems.

After food aid programs end, good prospects for U.S. exporters would include poultry meat and products, soybeans, soybean meal, planting seeds, genetics, cotton and beverages. ■



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