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THE SITUATION IN YUGOSLAVIA

Report by the Chairman of the Political Committee

The Political Committee, at its meeting of 14th September, 1971(1), invited the Chairman to submit a report to the Council on his own responsibility concerning the situation in Yugoslavia. The report consists of three sections: I. Internal Political Situation; II. Economic Problems, and III. Foreign Relations.

I. Internal Political Situation

2. Yugoslavia has just changed its Constitution for the sixth time since World War II. On 29th July, the Federal Assembly re-elected Tito as President of Yugoslavia and confirmed the election by the six Republics and two Autonomous Provinces of the other 22 members of a Presidency. This Presidency elected itself a Vice-President and on 30th July, approved the appointment of a new Federal Executive Council (Government) also of 22 members. These were the first steps to establish the new Yugoslav governmental system required by the Amendments to the Constitution which were adopted on 30th June.

3. Attached to this report is a list of the members of the Presidency (Annex I) and of the Federal Executive Council (Annex II) as well as a memorandum summarizing the principal constitutional amendments(2).

4. Under the new terms of Federation, the Republics, described hitherto as "social democratic statal communities" now become "States based on the sovereignty of the people". All authority has passed to the Republics and Autonomous Provinces except in the fields of defence, foreign affairs, the maintenance of "the unified Yugoslav market", some aspects of criminal law and a number of technical matters ranging from air safety to the control of narcotics. Even in the fields reserved to it the Federation will now be under specific obligation to proceed only with the consent of the Republics and Provinces.

This document includes: 3 Annexes

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- (1) AC/119-R(71)65, Item III(3)
(2) This material was supplied by the United Kingdom Delegation.

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5. Other provisions of the new Constitution are worth noting. An attempt has been made to consolidate and reinforce the principle of "workers' self-management", which is discussed elsewhere in this report. One of the constitutional amendments provides a widely drawn guarantee for foreign investment; it reportedly is to be supplemented by legislation providing a specific guarantee against nationalization. Another amendment relaxes restrictions on the employment of labour by private enterprise and still another extends the area of land which an individual may own. While the latter two concessions are not extensive in practical terms, they, like the first two, are of considerable significance ideologically.

6. In view of its composition, the new Presidium will probably be the dominant force in policy formation. In addition to President Tito, the 23-man body includes a large number of old Partizan leaders of great influence in the country. One of the Presidium's major functions will be to defuse and control the explosive nationalities issue. Judging from its composition, the Federal Executive Council will most likely concentrate on policy implementation, taking its directions from the Presidium and the Party executive bodies. The mere fact that President Tito remains in office, his authority and power undiminished, rules out major policy shifts. Moreover, many of the most important Federal Executive Council positions (Foreign Affairs, Defence, Finance, and Foreign Trade) remain in the hands of the previous incumbents.

7. The process of allocating functional responsibilities within the new Presidium and Federal Executive Council will continue for some time. Even more time will be required in order to establish a clear power relationship between the new government bodies, the Party leadership, and the republican governments, particularly since the latter's powers have been considerably increased. It is possible that the vital issue of picking Tito's successor may not be decided exclusively by the new Presidium and Federal Executive Council, since several very important political figures are not included in either body.

8. On the domestic front, the new Federal Executive Council seems likely to follow the policies charted by its predecessor. The previous Government's stabilization programme has been endorsed and its chief architect has retained his position. One area in which some change seems likely is internal security. The organization and responsibilities of the federal and republican security services are being revised and the appointment of top officials has been delayed pending the completion of this process. Concern over the threat posed by Soviet subversive operations appears to have been one of the factors which motivated the reorganization of the security services.

9. In the foreign policy area, there will possibly be substantial personnel turnover but no major policy shifts are expected. According to unofficial estimates, as many as 30 Yugoslav Ambassadors will be replaced. A new ambassador to the USSR will have to be named to replace Veljko Micunovic, who was named to the Presidium. Continuity seems certain in the area of foreign economic policy since almost all the incumbent ministers have retained their posts.

II. Economic Problems

10. Yugoslavia is a socialist state, but one in which the means of production are, in principle, the property not of the State but of the collective. In agriculture, most of the land belongs, as in Poland, to small farmers. Elsewhere in the economy, there exist an estimated one hundred thousand workshops operated by private craftsmen. The economic structure of Yugoslavia differs from that of the Soviet Union and other East European countries on three essential points:

- (1) workers' self-management;
- (2) federalism; and
- (3) the rôle of the Party.

11. The system of workers' self-management dates from 28th June, 1950, two years after the break with Moscow. The basic law of that date provided for a hierarchial structure of workers' collectives, workers' councils, management committees, and regional bodies. After twenty-one years of operation, the system of workers' self-management appears, at least officially, to have entered into virtually all sectors of Yugoslav economic activity. Nevertheless, it continues to be a subject of controversy both within and without Yugoslavia.

12. Federalism is the source of numerous problems stemming from the under-development of certain regions and the difficulties of distributing Federal resources to the satisfaction of all claimants. The constitutional reform, with its emphasis on further decentralization, is not likely to alleviate these problems. In part because of the decentralized Federal structure, as well as the workers' self-management system, the League of Communists of Yugoslavia (LCY) plays much less of a rôle in the day-to-day direction of the economy than in other socialist countries.

13. In spite of the efforts of the Federal authorities and despite the "stabilization plan" adopted late in 1970, Yugoslavia continues to suffer from under-development, irregular growth, excessive dependence on foreign trade and aid, and economic and social confusion. The persistent

disequilibrium in Yugoslavia's foreign trade balance has led in turn to a balance of payments deficit, although the latter is mitigated by substantial receipts from tourism and remittances from Yugoslavs working abroad. In consequence, the authorities in February 1971 devalued the dinar by 20% with the aim of restricting imports and stimulating exports.

14. On 28th July, 1971, the Yugoslav Government announced a fresh series of measures to help contain the continuing foreign trade deficit and inflation. These include new restrictions on investment by enterprises already running at a loss, or whose operations do not directly assist economic growth, and restrictions on imports of consumer goods and on consumer credits. In August 1971, the short-term debt (payable in less than twelve months) rose to 357 million dollars. However, there have been some signs recently that at least the growth in the adverse trade balance is being contained. The 28th July measures, which may be supplemented with others, are evidence of the authorities' lack of confidence in the steps taken earlier and their desire to give further impetus to their stabilization programme.

15. According to informed Yugoslav sources, the 22nd-25th September visit to Yugoslavia by CPSU General Secretary Brezhnev resulted in several important "agreements in principle" in the economic area. If these agreements are realized, they should result in a substantial intensification of Yugoslav-Soviet economic relations.

16. In the trade field, three major areas were identified for further study during the next few months:

(1) Raw Materials. The Yugoslavs expressed an interest in larger purchases of Soviet raw materials, particularly crude oil, coke, ores and cotton. Although the Soviets responded that the Yugoslavs should consider investing in Soviet raw material facilities, as the COMECON countries have done, they agreed to hold detailed talks on the Yugoslav requests.

(2) Industrial Co-operation. As regards the sectors identified by the 25th COMECON Council session for Yugoslav-COMECON industrial co-operation (non-ferrous metals, motor vehicles, engineering, etc.) the Soviets agreed to intensify negotiations which were already underway.

(3) Pipelines. The Soviets agreed to run the USSR-Italy gas pipeline via Slovenia rather than Austria, which will enable Yugoslavia to draw gas off the pipeline. The Soviets also agreed to support the construction of the Rijeka-Hungary-Czechoslovakia oil pipeline project which the Yugoslavs have been pushing for some time.

17. According to Yugoslav sources, there was no discussion of Soviet financial credits for the current Yugoslav stabilization programme. The Soviets indicated a readiness to consider additional project loans. Brezhnev agreed to send a Soviet economic delegation headed by Gosplan Chairman N.K. Baybakov to Yugoslavia before the end of 1971. This delegation will be authorized to negotiate agreements implementing the "agreements in principle" discussed above. Yugoslav officials have indicated that the performance of this delegation will provide a good indication of Soviet intentions towards Yugoslavia.

18. Despite earlier rumours, the Soviets made no effort to persuade the Yugoslavs to expand their relationship with COMECON beyond the sectors identified for co-operation by the 25th COMECON Council session. Yugoslavia has observer status in COMECON and has participated, since 1964, in the activity of eight of its committees.

III. Foreign Relations

19. CPSU General Secretary Brezhnev paid an "unofficial, friendly" visit to Yugoslavia, 22nd-25th September, 1971. The visit, which took place at Soviet initiative, was the logical consequence of Brezhnev's expression of readiness, in his 30th March speech at the 24th CPSU Congress, to improve relations between the two States and also between the two Parties. The joint statement(1) issued at the conclusion of the Brezhnev visit pledges increased Yugoslav-Soviet co-operation on both the government and party levels.

20. The principal achievement, from the Yugoslav standpoint, was the reference, in the joint statement, to the principles set out in the Belgrade Declaration of 1955 (sovereignty and non-interference) and the Moscow Statement and Declaration of 1956 (separate roads to socialism)(2). The Yugoslavs are now cautiously hopeful that some of the tension has been removed following a long period of strained relations between the two countries(3).

21. The joint statement seems to open perspectives for expanded information and cultural exchanges "on the basis of reciprocity" and also for increased economic co-operation (see paragraphs 15 through 17). However, high Yugoslav officials have indicated that it is too early to judge the results of the Brezhnev visit, and that one should wait several months to see whether the Soviet leaders are indeed prepared to implement the commitments they subscribed to in the joint statement. These officials thought that the significance of the visit was to be found in the fact that it had taken place and that this was an indication of the desire of the USSR to improve its position in Europe generally.

(1) See Soviet and East European Documentation, No. 6.

(2) Ibid, No. 3.

(3) See POLADS(71)57, dated 10th August, 1971.

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22. For the Soviets, the visit appears to have achieved the principal aim of halting the deterioration in Yugoslav-Soviet relations which dates from the August 1968 invasion of Czechoslovakia. Brezhnev took full advantage of the opportunity to state his views directly to Yugoslav audiences (as for example in his speech to the factory workers in Zemun). In their contacts with Yugoslavs at various levels, the members of the Soviet delegation had a chance to take the temperature of the country and perhaps to draw some conclusions about its stability and unity following the passing of Tito.

23. The Brezhnev visit was no doubt also intended to check the growth of Chinese influence in the Balkans and, by registering an improvement in Soviet-Yugoslav relations, to contribute to Rumania's sense of isolation. Upon leaving Yugoslavia, Brezhnev visited Hungary and Bulgaria but not Rumania, allegedly because Ceausescu had failed to extend an invitation. Brezhnev presumably also wanted reassurances from Tito concerning his forthcoming visits to the United States and the United Kingdom.

24. The Soviets may take some satisfaction from the fact that the 1971 joint statement emphasizes the common Marxist-Leninist ideology shared by the CPSU and the LCY and stresses the two Parties' identity of view on a number of international issues, including the early convening of a CES. The commitments to broader inter-party contacts and expanded economic co-operation offer the Soviets opportunities to increase their influence in Yugoslavia, and the principle of "objective" news coverage which is contained in the joint statement may, in practice, work more to Soviet than to Yugoslav advantage.

25. Although the rumoured Warsaw Pact summer manoeuvre, "Istok", which the Yugoslavs regarded as a form of Soviet pressure, failed to take place, the Yugoslavs nevertheless went ahead with their planned Exercise "Freedom 71", described as the largest Yugoslav field manoeuvres to be held since World War II. "Freedom 71" took place in north-west Yugoslavia, away from any border area, but in a setting which left little doubt that the "aggressor" could only be a member of the Warsaw Pact. The Exercise, from 2nd to 9th October, was designed to test Yugoslav defence doctrine, in particular the joint use of reservists, civilians and regular forces against a strong armoured and airborne invasion.

26. President Tito, who was in constant attendance, addressed a mass rally at the conclusion of "Freedom 71". In his speech, which was broadcast by nationwide television, Tito declared that, "We do not recognize the right of any one to impose its will on others by force, to interfere in the internal affairs of other countries". While Tito's statements on this occasion were undoubtedly motivated in large part by

a desire to stress the theme of national unity, they can also be read (despite Tito's denial that the manoeuvres were directed against any particular country) as an expression of continued Yugoslav concern about Soviet intentions and as a clear indication that Yugoslavia intends to remain on its guard despite the generally favourable outcome of the Brezhnev visit.

27. The Council is invited to take note of this report.

(Signed) Jörg KASTL

NATO,
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PRESIDENCY OF THE SFRY

President: Josip Broz Tito
Vice-President: Krste Orvenkovski
Members:

Jakov Blažević
Marko Bulc
Dobroslav Ćulafić
Veli Deva
Ratomir Dugonjić
Kiro Gligorov
Maćaš Kelemen
Djuro Kladarin
Sergej Krajger
Ilijaz Kurteši
Dragoslav Marković
Veljko Mićunović
Nikola Minčev
Augustin Papić
Koča Popović
Hamdija Pozderac
Ilija Rajačić
Mitja Ribičič
Dragi Stamenković
Miko Tripalo
Vidoje Žarković

THE FEDERAL EXECUTIVE COUNCIL

President: Džemal Bijedić

Vice-President: Jakov Sirotković

Members:

Stojan Andov

Momčilo Cemović

Boško Dimitrijević (Federal Secretary for Economy)

Vuko Dragašević (Federal Secretary for Labour and
Social Welfare)

Dušan Gligorijević

Muhamen Hadžić (Federal Secretary for Foreign Trade)

Trpe Jakovlevski

Ivo Jerkić

Borislav Jović

Mirjana Krstinić

Emil Ludviger

Nikola Ljubičić (Federal Secretary for National
Defence)

Marko Orlandić

Blagoj Popov

Imer Pulja

Janko Smole (Federal Secretary for Finance)

Boris Šnuderl

Mirko Tepavac (Federal Secretary for Foreign Affairs)

Geza Tikvicki

Anton Vratuša

SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA (SFRY):
CONSTITUTIONAL AMENDMENTS ADOPTED ON 30TH JUNE, 1971

1. This memorandum attempts briefly to describe the main political and economic changes brought about in Yugoslavia's system of government by the Constitutional Amendments adopted by the Federal Assembly on 30th June, 1971. Some of these changes will be difficult to assess fully before the adoption of legislation consequent on the Amendments: but their general outline is as described below.

A. POLITICAL MATTERSI. THE SFRY

2. Amendment 21 (to Basic Principles, Articles 1 and 108 and Amendment 18) gives a new definition of Yugoslavia, the Republics and the Autonomous Provinces. Yugoslavia is a federal state in the form of a state community of voluntary united peoples and socialist republics and provinces based on the self-management system. The Republics are defined as states based on the sovereignty of the people organized in accordance with principles of self-management. They are also defined as socialist, self-managing democratic communities of working people and citizens, and of equal nations and nationalities. The autonomy of the two Provinces of the Voivodine and the Kossovo lies in the exercise of their sovereign rights by the inhabitants within the Provinces and through the Republic of Serbia when it is in their common interest. The nationalities (i.e. national minorities) exercise their rights not only through the Federation, Republic and Provinces but also through their opština.

II. THE PRESIDENCY

3. Amendment 36 provides for the establishment of a new state body which will take on the rights and duties vested in the President of the Republic and provide the six Republics and two Autonomous Provinces with a forum for the discussion and settlement of matters of common interest.

Composition

4. It is composed of the eight Presidents of the Republican and Provincial Assemblies plus a further two members from each Republic and one from each Province making a total of 22 members. Those not eligible for membership are Federal Assembly deputies, members of the Federal, Republican or Provincial Executive Councils, members of the Constitutional Court, judges and officials of state organs.

Period of Service

5. Members are elected for five years by the Republican and Provincial Assemblies. No one can serve for two successive terms of office.

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President and Vice-President

6. These are elected from among members of the Presidency (but see paragraph 10 below for Tito's special rôle) and serve for one year only. They may not come from the same Republic or Province in that one year of office. The Presidency lays down an order of sequence for their election over a seven-year period and they are to be elected in rotation from the Republics and Provinces.

The Work of the Presidency

7. This is based on the principle of unanimity among its members on important matters requiring agreement by all Republics and Provinces (these are still to be defined). Other matters are to be decided on a majority vote. Rules of Procedure will be laid down to regulate the methods of decision making.

Relations with the Federal Assembly

8. The Presidency can submit questions to the Federal Assembly and receive questions in return. On matters of dispute between the two an agreed procedure is laid down for settlement within a time limit of six months. If agreement is not reached another period of three months for debate in the Federal Assembly is granted. Should there still be disagreement the Federal Assembly is to be dissolved and the Presidency's mandate ended. In the event of dissolution through lack of agreement on the introduction of a law, the Presidency may proclaim the laws temporary application in the text adopted by the Chamber of Nationalities pending a decision by the newly-elected Assembly.

Relations with the Federal Executive Council

9. The Presidency can convey its views to the FEC, express opinions on governmental matters and propose measures. It has the right to stay execution of regulations or other politically important acts of the FEC before publication. The issues in question would then be referred to the Federal Assembly for a decision. The Presidency has the right to raise questions of confidence in the FEC. It proposes to the Federal Assembly candidates for the post of FEC President and may propose a further four-year extension of his mandate.

III. PRESIDENT OF THE REPUBLIC

10. Amendment 37 (to Articles 215-218, 221, 222, 224, 256, 257 and Amendments 5 and 6) establishes Tito's special historical rôle and reaffirms his exceptional position whereby there is no limitation on his tenure of office as President of

the Republic to which he can be re-elected for periods of five years. After his departure from the political scene the post of President of the Republic will be abolished and the function taken over by the President of the SFRY Presidency (see paragraph 6). In the meantime Tito will be both President of the Republic and President of the Presidency.

IV. THE FEDERAL EXECUTIVE COUNCIL

11. Amendment 38 (to Articles 226, 228, 230 and 232 of the Constitution) defines the composition and functions of the new Federal Executive Council (FEC), its place in the Federation and its relations with the Presidency.

Composition

12. It is composed of three members from each Republic and two from each Province (22 in all). Its President is elected by the Federal Assembly on the proposal of the Presidency. The President then nominates the other 21 members. At the same time the Federal Assembly appoints these FEC members who are to be Federal Secretaries, i.e. Ministers with Portfolio: so far there are six of these, for Foreign Affairs, National Defence, Finance, Foreign Trade, Economy and Labour and Social Welfare. At least three more are envisaged, for Internal Affairs, Justice and General Administrative matters and Agriculture, and possibly a fourth for Transport. The remaining FEC members will not be Ministers as such but it is likely that each will be given a co-ordinating rôle in a particular field of Federal competence (see paragraph 16). FEC members need not be selected from among the deputies of the Federal Assembly and, should a deputy be elected, he must surrender his parliamentary mandate.

Functions

13. The FEC carries out policy decided by the Federal Assembly and directs the work of the various federal bodies. It can also undertake legislative measures on its own initiative, in line with that policy and, with the prior agreement of Republican and Provincial bodies, introduce regulations, decisions and instructions for the enforcement of federal laws and other general acts of the Federal Assembly. In addition to keeping the Federal Assembly informed of its work the FEC must also inform the SFRY Presidency.

Questions of Confidence

14. These are provided for where the FEC feels unable to carry out the policy of the Federal Assembly or Presidency. In the other direction, any Federal Assembly Chamber may, on the proposal of at least ten deputies, raise a question of confidence in the FEC and instigate a debate, as can the Presidency. On an adverse vote the FEC must resign.

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V. FEDERAL SECRETARIATS (See also paragraph 12)

15. Amendment 39 (to Articles 233, 234 and 236 of the Constitution) provides for the establishment of Federal Secretariats. The distinction between State and Federal Secretariats disappears. There is also provision for Federal organizations to carry out specific administrative, technical and scientific duties. Officials in charge of these are personally responsible to the Federal Assembly who can relieve them of their posts.

VI. FEDERAL ADMINISTRATION

16. Amendments 29 (to Article 113) and 30 (to Articles 114-116, 160-162 and Amendment 4) list a wide range of subjects for which the Federation has responsibility such as foreign policy, national defence and state security, the overall economy, social planning, transport and communications, criminal law, control of weights and measures, regulation of production and trade in narcotics, statistic collation, etc. The Federation exercises its responsibilities through various Federal agencies, i.e. secretariats, councils, directorates. The Republican and Provincial authorities are responsible for all matters not specifically ascribed to the Federation. Relations between Federal and Republican/Provincial bodies are to be on a basis of mutual co-operation and consultation (see also paragraph 23).

VII. INTERNATIONAL TREATIES

17. Amendment 35 lays down that international treaties requiring the introduction of new, or a change of existing, Republican/Provincial laws must have the prior consent of the Republican and Provincial Assemblies. The procedure for consent is to be regulated by federal law. Republics and Provinces and self-managing enterprises have the right to co-operate and maintain relations with foreign authorities, organizations and regions of foreign states. When international treaties are to be written in the languages of the signatories, the languages of the peoples of Yugoslavia will be used according to the principle of equality (this generally means the language of the head of the Yugoslav delegation).

VIII. NATIONAL DEFENCE

18. Amendment 41 (to Articles 42, 252, 254 and 255) embodies the concept of all-people's defence by stating that the armed forces of the SFRY are composed of the Army, all working people and citizens and territorial defence units. In addition to his duty to defend the independence and territorial integrity of Yugoslavia, the citizen is required also to defend Yugoslavia's social and political system.

Article 254 which denied anyone the right to sign or acknowledge an act of capitulation or occupation of the country is amended to include any individual part of the country. Attempts to prevent anyone from fighting against an enemy are also prescribed. Every citizen who resists an aggressor is considered a member of the armed forces.

B. ECONOMIC MATTERS

I. SELF-MANAGEMENT

19. Amendment 21 (replaces Articles 11 and 12 and paragraph 3 of Article 15) defines more closely the rights and responsibilities of workers in relation to their management of socially owned assets. While the Amendment guarantees to working people their inalienable right to decide on such matters as the income of the enterprise, personal incomes and investments, it provides that personal incomes are the subject of social agreements to which workers' trade unions and socio-political communities are all party, thus in effect limiting the "inalienable right". It also provides that personal incomes may be temporarily regulated by law if self-management is ineffective and that enterprises may be required by law to contribute part of their profits for some other productive purpose. Enterprises and socio-political communities are stated to be under an obligation to assist enterprises which are in serious economic difficulty if it is in society's interest to do so.

20. Amendment 23 defines the scope, purpose and character of self-managing and social agreements.

II. ASSOCIATION FOR COMMON PURPOSES

21. Amendment 22 (which replaces paragraph 4 of Article 19 and paragraphs 4 and 5 of Article 29) defines in greater detail the methods by which enterprises may associate for common purposes in business associations and joint ventures and may invest in other enterprises. It provides for foreign investment in Yugoslavia and states that the rights of a foreign investor may not subsequently be diminished by law or any other act. Investment by an enterprise or by individuals in an enterprise creates no property rights and cannot limit the self-management rights of its workers. Enterprises, business associations, socio-political communities and other bodies may pool their resources in a bank, insurance or other monetary organization: they manage it and share in its profits after allocating appropriate sums for those working in it and for reserves.

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III. PRIVATE ENTERPRISE

22. Amendment 24 (which replaces Article 22 and amends Article 21 of the Constitution) defines the freedom of workers to work independently and privately in appropriate occupations, to pool their resources and to co-operate with enterprises. A new departure is the right of such workers to employ a limited number of other persons, the conditions to be specified by law. The Amendment provides that in mountainous areas the law may permit agricultural holdings larger than the ten hectares specified in Article 21 of the Constitution.

IV. UNITY OF THE MARKET

23. Amendment 25 replaces and amplifies Article 28 of the Constitution, specifying in greater detail the essential components which make up the unity of the market and declaring unconstitutional any act which undermines that unity. Amendment 30 defines the responsibilities of the Federation for maintaining the unity of the market.

V. RESPONSIBILITIES OF THE FEDERATION

24. Amendment 26 replaces Article 121 which allotted to the Federation responsibility for deciding on the general line of the country's economic development, for co-ordinating development, regulating foreign trade and generally overseeing the economy. The Amendment states that the social plan is based on the agreement of workers, enterprises and socio-political communities. Amendment 30 nevertheless allots to the Federation the responsibility of regulating the basic principles of the system of social planning and of deciding on the social plan. The Federation also deals with the monetary system and policy, the balance of international payments, foreign exchange reserves, the principles of the credit and banking system, inward and outward investment, measures to maintain the unity of the market, consumer protection, the social control of prices and direct price control, maintenance of market stability, foreign trade and exchange control, tariffs, aid to the under-developed Republics and Provinces, and the basic principles of the status and activities of enterprises. The Federation regulates the basic principles of the management of water resources of interest to two or more Republics, as well as those of traffic safety and the safety of air transport generally and the enforcement of air safety regulations. The Federation is also competent to enforce its regulations regarding radio communications.

25. The text of Amendment 33 as finally adopted has not yet been issued, but according to explanations published by the Federal Assembly Secretariat of the changes agreed by the Joint Commission for Constitutional Questions on 3rd June it describes the procedure by which the Federal Executive Council

will fulfil the responsibilities in the economic field specified in Amendments 26 and 30. The procedure is intended to ensure that through inter-Republican committees the agreement of the Republics and Provinces is obtained for any proposal submitted to the Federal Assembly by the Federal Executive Council. If such agreement cannot be reached on a matter which is deemed to require action to prevent harmful economic consequences, the Presidency may propose temporary measures which may be adopted by simple majority of the Chamber of Nationalities. This procedure is intended to provide for temporary solutions in cases where failure to reach agreement among the Republics and Provinces would otherwise have required the dissolution of the competent Chamber of the Assembly.

VI. THE NATIONAL BANK OF YUGOSLAVIA AND THE NATIONAL BANKS OF THE REPUBLICS AND PROVINCES

26. Amendment 27 (replacing Articles 31 and 117 and paragraph 6 of Article 29 of the Constitution) prescribes the responsibilities of the Yugoslav National Bank and of the Republican and Provincial National Banks. All the National Banks are responsible for currency stability, liquidity and the implementation of monetary policy. They autonomously implement measures of credit and monetary policy laid down by federal law, and commercial banks are obliged to comply with such measures. The Yugoslav National Bank is the sole bank of issue and decides on the volume of money issue; the National Banks are institutions of a unified monetary system and carry out a common policy. The Yugoslav National Bank is directed by a Council consisting of the Governors of the Yugoslav, Republican and Provincial National Banks.

VII. TAXATION

27. Amendment 28 (replacing paragraph 3 of Article 27 and Article 124 of the Constitution and Point 4 of Amendment 16) proceeds from the basis that deciding the system, sources and types of taxation is the prerogative of the Republics and Provinces. The Federation however has the right to determine the type of revenues to be obtained through taxes on goods and services. The Republics and Provinces are to co-ordinate taxation policies when necessary to secure the unity and stability of the market. The Federation may initiate proposals to this effect and may in case of need prescribe the measures to be taken.

VIII. THE BUDGET OF THE FEDERATION

28. Amendment 34 (replacing Article 122 and Amendment 3) specifies the activities financed from the Federal budget: the armed forces and national defence, aid to the under-developed Republics and Provinces, reserves which the Federation is

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authorised to establish and other needs financed by the Federation as provided in the Constitution. It provides that the Federation's revenues shall consist of customs duties, taxes and contributions from the Republics and Provinces calculated as an equal percentage of revenues from taxes on goods and services; revenues shall not exceed the total of expenditures agreed by the Republics and Provinces.

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