II. ECONOMY AND FOREIGN TRADE

Yugoslavia is a socialist country, and remains committed to its ideals. Its economic system, however, differs radically from the highly centralized command economies of the Soviet Union and the East European Warsaw Pact states. In many respects the Yugoslav economy has as much in common with the market economies of Western Europe as with the planned socialist economies of Eastern Europe. Indeed, Yugoslavia is often termed a "socialist market economy."

Yugoslav enterprises, including banks, manufacturing, service and trading firms are operated neither privately nor by the state, but are "socially" owned. Legally belonging to the workers themselves, they are managed as independent economic units by boards elected by the workers, and compete with each other on domestic and foreign markets.

Federal and republican government bodies formulate and implement fiscal, monetary and economic development policies. Centralized planning and control as found in Eastern Europe have been abandoned in favour of a more informal system of "indicative" targets and priorities, which serve as framework for the policies of the republics and autonomous provinces, and are intended to educate and guide management at various levels in the formulation of their own planning.

Current policies are designed primarily to deal with the country's external debt of approximately $21 billion (U.S.), reverse the balance-of-payments deficit (there was a $274 million (U.S.) favourable current account balance in 1983), reduce the high rate of inflation, and bolster the dinar. To this end, foreign borrowing and domestic investment have become more selective and market-oriented, imports have been severely curtailed, prices have been frozen on occasion, and interest rates are being raised on dinar accounts. An increase in invisible earnings is being sought through encouragement of tourism and investment by both Yugoslavs abroad and foreign enterprises.