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**ECONOMIC AND COMMERCIAL REPORTS**

# **YUGOSLAVIA**

**ECONOMIC AN.**

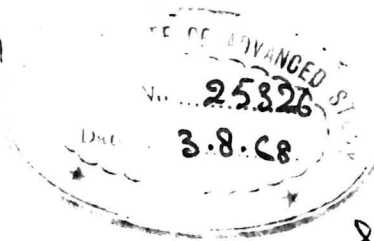
**RCIAL CONDITIONS, 1965**



**DIRECTORATE OF COMMERCIAL PUBLICITY, MINISTRY  
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## CHAPTER I

### GENERAL ECONOMIC CONDITIONS

The year 1965 has been a momentous year in the economy of Yugoslavia. It marked a number of new changes and trends which are bound to have far-reaching effect in the years to come. The process of liberalising the functioning of the commercial/industrial enterprises was continued and enterprises were granted an increasing measure of choice as to their imports/exports, sources/destinations of imports/exports, control over expenditure of their internal and external earnings, etc. Concurrently, a number of bold 'Economic Reforms' were introduced to stimulate production, bring about a more realistic relationship between the cost of raw materials, cost of production and the prices of finished products for exports, do away with direct and/or semi-finished goods, step up efforts for a bigger share in the international division of labour, restrict imports and promote exports, revise the value of currency in accordance with its realistic value in the international market with an eye on its eventual convertibility, and bring about a reconstruction of the price and wage structure in consequence of these measures. The actual results of these 'reforms' will take time to register and to be available for analytical assessment, but there is no gain saying the fact that, on the one hand, they have shaken up the local business community and infused new awareness and enthusiasm in them, and on the other they have been viewed with a degree of satisfaction in the Western World and the international monetary circles. The ground is now ready for Yugoslavia becoming a full-fledged member of the GATT.

#### ECONOMY

The industrial productivity went up by over 8% as compared to the productivity in the year 1964. Practically all branches of Yugoslav industry, with the exception of the coal industry, registered improvement. The highest growth, namely 20%, was achieved in the chemical industry, followed by 18% in the oil industry. The paper production went up by 15%, electric power by 8%, the non-metallic industrial goods by 10%, ferrous and non-ferrous industries by 6%, the textiles by 6%, leather and footwear by 5%, rubber goods by 9%, food products by 7%, metal products by 7%, the products of the electronics industry (radios, television sets, etc.) by 4%, building materials by 4% and tobacco products by 5%. The production of various types of tools also went up by 8%. The production of consumer goods increased by 8%.

In the agricultural field, however, the production showed a decline of 7%. This was mainly due to unfavourable weather conditions. It is, however, noteworthy that in the case of the state-run farms, the production went up by 4%. The production of wheat in 1965 showed a drop of 9%. A similar decrease was noticed in the production of industrial crops. But the total livestock production increased by 4%.

The building activity, in terms of value, showed an increase of 8%, but this is attributed to increase in the prices of the building materials and the wages of the workers. Otherwise, the total volume of the building work is estimated at 10% lower than in 1964. The housing development also recorded a drop of 8%.

All means of transport and communications showed an improvement both in the number of passengers and the volume of goods carried during 1965. In the railway transport, the number of passengers carried marked an increase of 5%. In the area of the motor transport, the increase was as high as 19%. An appreciable increase was also registered in the air traffic.

An intensive modernisation of shops and commercial enterprises continued during the year. The number of the self-service shops increased by nearly 26%. The overall business in the retail shops went up by 29% and in the wholesale trade by about 15%.

The cost of living went up by 35%, whereas the real receipts of the employees/workers improved by only 3%. The total money in circulation showed an increase of 18% while the savings deposits of 17%.

Some economists are inclined to judge the economic activity of a country and the trends in the total material production by the increase in social product. During the year 1965 in Yugoslavia, such increase amounted to only 3%, as compared to 13% in 1964, 12% in 1963, 16% in 1959 and 23% in 1957. The social sector in Yugoslavia is estimated to account for nearly 78% of the productivity, whereas only 22% comes from the private sector. The country's *per capita* income now is estimated at 540 dollars per year.

The year 1965 was the most successful year for tourism so far, both in terms of the number of visitors and the overall income brought by them. The total number of tourists during the year amounted to 5,300,000. It is estimated that the country earned more than 100 million dollars from tourism.

### CAPITAL INVESTMENT

The total outlay during the year 1965 amounted to 1,896.9 billion dinars as compared to 1,882.8 billion dinars in 1964 and 1,463.6 billion dinars in 1963. The increase in 1964 over the investment in 1963 amounted to 29% whereas in 1965, *vis-a-vis* 1964, it amounted to only 1%. This decline in the capital investment is significant and is the result of the restrictive measures enforced under the 'Economic Reforms', since the middle of the year. These measures aimed at stabilisation of the economy by co-ordinating production with consumption.

The pattern of investment was broadly as follows:

A—Economic Investment	64.8%
Manufacturing industries and mining	36.2%
Agriculture	7.4%
Forestry	1.1%
Building construction	1.7%
Commerce and Hotelry Trade	5.4%
Handicrafts	1.0%
B—Non Economic Investment	35.2%

## CHAPTER II

### FOREIGN TRADE

The total foreign trade turnover of Yugoslavia during 1965 amounted to 713·8 milliard dinars compared to 664·9 milliard dinars in 1964, (in terms of old dinars at the rate of 1 U. S. Dollar=300 old dinars). This means an increase of 7·4%.

The share of Yugoslavia in the world trade is still very insignificant—only 0·56%. On the other hand, the developed countries participate in the Yugoslav trade with about 49%, the socialist countries with about 35% and the developing countries with about 16%.

There were some healthy trends in the Yugoslav foreign trade during the year under report. While during 1964 the rate of growth of exports declined from 14·5% to 12·9%, as compared to 1963, the rate of growth in 1965 went up to 22·2% or 9·3% better than in 1964. On the other hand (the imports went down by 2·7% as compared to 1964) the total deficit in the balance of payment dropped from 128 milliards of dinars in 1964 to 58·9 milliards in 1965, or by 69·1%.

Yugoslavia's trade with European region showed an increase of 23·9% in exports and a decline of 5·7% in imports.

So far as the E.E.C. countries are concerned the exports went up by 13·5% and the imports fell off by 9%.

With the EFTA countries, the exports increased by 18·1% and the imports declined by 4·9%.

As regards the COMECON countries, the exports showed a very pronounced expansion. They improved by as much as 49·2% over the exports in 1964. At the same time, the imports from this region also registered a decline of 2·4%.

The trade with Asian countries showed an improvement over the performance in 1964. The resulting exports were 20·9% greater, while the imports also showed an improvement of 11%.

The trade with Africa likewise showed a favourable improvement. The exports increased by 23·3% and the imports by 10%. Two of the African countries alone, namely the U. A. R. and Ghana, accounted for more than half of the total exports to the whole of Africa. Their share in the Yugoslav exports amounted to 62·3%. Similarly 55% of imports from Africa came from only 3 countries, namely, the U. A. R., Ghana and Tunisia.

So far as the American countries are concerned the exports to North America rose by 33·5% and the imports by 6·4%. But the trends towards South American countries were inverse. The exports registered a steep decline of 75% while the imports also showed a downward trend of 12%.

#### IMPORTS

Broadly, the Yugoslav imports may be classified as follows:—

A — Raw materials and material for re-manufacture	—	—	62·1%
B — Capital goods	..	..	19·7%
C — Consumer goods	..	..	18·2%

The following table will indicate the broad categories of the industrial imports and the values thereof:

Products of	Value in Million Dinars
Iron & steel	99·8
Non-ferrous metallurgy	139·1
Non-metallic minerals	99·6
Metal working	86·7
Ship-building	215·4
Electrical Engineering	93·3
Chemical Industry	86·5
Building materials	514·3
Timber industry	68·4
Cellulose and Paper	105·9
Textile Industry	99·5
Leather and Footwear	194·6
Rubber Industry	118·9
Food Industry	85·8
Printing Industry	100·5
Tobacco Industry	6·8
Film Industry	89·7
Driving machinery	67·5
Farm machinery	79·7
Metal-Working machines	72·1
Unspecified non-electric machines	91·0
Electric machines	86·3
Transport goods	133·2
Unspecified machines and equipment	72·0

Corresponding breakdown of the imports of consumer goods is as follows:

Foodstuffs	120·1
Drinks and tobacco	21·4
Wear and Footwear	88·9
Furniture	99·1
Textile	107·7
Drugs, pharmaceuticals and cosmetics	98·2
Unspecified	95·8

The imports of raw materials is as follows:

	Value in Million Dinars
Raw hides and furs	88·7
Oilseed and crops	80·1
Raw and reclaimed rubber	106·9
Timber, sawn-timber and cork	186·0
Cellulose and Waste paper	109·0
Textile fibres and waste	101·9
Mineral fertilizers	81·4
Metalliferous ores and waste	147·7
Unspecified	108·3



The import of semi-manufactures is as follows:

Product of	Value in Million Dinars
Dressed leather and fur . . . . .	191.5
Rubber products . . . . .	131.4
Timber and cork products . . . . .	19.9
Paper products . . . . .	94.6
Textile products . . . . .	94.3
Non-metallic mineral products . . . . .	101.6
Base metals . . . . .	102.2
Metal manufactures . . . . .	103.2

The import of finished products is roughly according to the following table:

	Value in Million Dinars
Prefab houses . . . . .	28.5
Furniture . . . . .	109.6
Travel accessories . . . . .	350.0
Articles of dress . . . . .	50.1
Footwear . . . . .	96.4
Instruments, watches optical glass and instruments . . . . .	88.6
Unspecified . . . . .	97.4

### EXPORTS

The reported growth of 22.2% in exports went fairly far beyond the expectations of the country. About 81% of the total exports effected accounted for industrial products. The share of such exports in 1964 was 78.3% and in 1963 76.6%. The rate of growth in the export of industrial products amounted to nearly 27% while that in the export of agricultural products amounted to 8%.

Four branches of the Yugoslav industry alone accounted for over 50% of the total industrial exports. These were:

- (1) The non-ferrous metallurgy which registered a growth rate of 23.8%;
- (2) the metal working industry which showed a growth rate of 54.6%;
- (3) the timber industry which showed a growth rate of 0.8%; and
- (4) the textile industry which showed a growth rate of 15.6%.

The other industries participating in the exports were : non-metallic minerals, ship-building, electrical engineering chemical industry, cellulose and paper industry, leather and footwear, rubber, food industry, printing industry, motion picture industry, etc.

The highest rate of growth was registered in the export of capital goods which marked an increase of 79%. The export of materials for re-manufacture also grew at the rate of 54.8%. As regards the consumer goods, the export of various products showed an increase ranging from 3 to 53%.

In the field of capital goods, the principal products exported were of agricultural machinery, metal working machines, electrical machines, transport equipment driving machinery, etc.

In the area of consumer goods, the principal exports comprised of medical products, pharmaceuticals, cosmetics, articles of dress and footwear, textiles, furniture, foodstuffs, tobacco, beverages, etc.

## CHAPTER III

### TRADE WITH INDIA

The trade plan for 1965 provided for a target of rupees 210 million worth trade in each direction. The available figures, as registered in Yugoslavia, indicate that while the Yugoslav exports to India amounted to rupees 141 million, the exports from India to Yugoslavia amounted to rupees 135.5 million. Thus, a total trade of Rs. 276.5 million was realised which is the best so far in any single year. Broad details of exports in each direction are given in the Appendix I.

The programme could have been much better but for the fact that for more than the first six months of the year, the Yugoslav banking authorities exercised stringent control over monetary allocations for purchases from India in view of the adverse balance of payment in the clearing account maintained in India. The basic position is that although the balance of trade often is in favour of Yugoslavia (during 1963, however, it was markedly in favour of India), the payments position remains difficult for Yugoslavia, because quite a sizeable portion of the Yugoslavia exports are supplied to India on various terms of credits.

The normal quantum of technical credits provided for in the Indo-Yugoslav agreement is of Rs. 18 million. But, at the request of the Government of Yugoslavia, this was at first increased to Rs. 30 million and later to Rs. 50 million so that adequate purchases from India could be readily financed. These measures had their relaxing effect, with the result that towards the latter part of the year the Indian exports to Yugoslavia began to pick up, but yet not to the desired extent.

In October 1965, a high-level Delegation, led by the Minister of Commerce, visited Yugoslavia to conduct negotiations for a fresh Trade Plan for the year 1966. This was signed and a new Protocol was concluded between the two countries according to which certain firm commitments have been made by either party and the total trade is expected to materialise to the tune of about Rs. 190 million in each direction, *i.e.* a total trade of Rs. 380 million. Further possibilities of about Rs. 113 million have also been indicated. This Protocol also provides for industrial collaboration in various fields, on bilateral basis as well as in the third countries.

## CHAPTER IV

### FAIRS AND EXHIBITIONS

India held a national exhibition in Belgrade from the 3rd to 18th July, 1965. This was the first time that such an exhibition had been organised in this country.

As a part of this exhibition, a special "Nehru Exhibition" was also organised, which attracted numerous distinguished visitors, including the President of the Federal Executive Council of Yugoslavia, Mr. Petar Stambolic. It received a stream of the general public every day. Mr. Stambolic went through other sections of the exhibition also and spent a considerable time there, making favourable comments on the various exhibits displayed.

An exhibition of modern Indian paintings was also organised as a section of the National Exhibition. Further, a fashion show of models made out of Indian textiles was held every evening and attracted large crowds. For this fashion show, two Indian mannequins were specially sent from India.

An Indian restaurant was also opened in the Exhibition premises where Indian dishes were made available and Indian tea was served free of charge. Indian cashewnuts were also distributed as a publicity measure.

Commercial Publicity was organised through press, radio, television, posters, leaflets, brochures, newspaper articles and advertisements, and other available media.

CHAPTER V  
MISCELLANEOUS

By the end of 1965, Yugoslavia had contracted specific trade agreements with 90 different countries of the world. Forty-six new or renewal agreements were concluded during the year. Among the new countries with which agreements were concluded for the first time were Iceland, Malta and Nepal.

Yugoslavia has a system of clearing payments with 24 countries, including special payments agreements with India and Czechoslovakia.

Some special contracts signed by Yugoslavia touched on collaboration with various countries. Thus, an agreement with Poland provided for joint production in the field of electrical engineering industry, machine tools, construction of an alumina factory, manufacture of automobiles etc. Some contracts with the U.S. S. R. provided for co-operation in the development of power industry, ferrous and non-ferrous metallurgy, chemical industry and deliveries of various types of equipment etc. With Rumania, the co-operation is in the field of electrical engineering, manufacture of rails for railways and rolled products, and specially in the construction of hydro-electric power project on the Denube river at the Iron Gates. A navigation system is also being jointly developed by these countries. The collaboration with Czechoslovakia lies in the field of ferrous and non-ferrous metallurgy, while that with Bulgaria is in the tobacco industry.

The Yugoslav currency was devalued in two stages during the year and the present rate of exchange is 1 Indian-rupee=262.50 dinars; one U. S. dollar=1,250 dinnars; and one pound sterling=3500 dinars. With effect from the 1st January 1966, one new Yugoslav dinar is=100 old dinars.

The pattern of the Yugoslav budgetary expenditure is as follows: 58.4% on defence, 9.5% on general social purposes, 8.9% on subsidies to the constituent republics, 9.8% for intervention in the economy, 2.3% on scientific research, 6.8% on the federal departments and 4.3% for other miscellaneous expenditures.

Yugoslavia continues to promote an exciting experiment in decentralised economic development and improvement of individual standards of living. The country has achieved an enviable improvement in the standards of living in all directions.

**APPENDIX I**  
**YUGOSLAV'S EXPORTS TO INDIA**

1 January—31 December 1965

	Quantity	Value million Rs.
1. Lubricating oils . . . . .	48,931 tons	15,5
2. Caustic soda . . . . .	13,122 tons	6,3
3. Phenol . . . . .	1,453 tons	1,6
4. Other chemicals . . . . .		0,5
5. Sera and Vaccines . . . . .		1,2
6. Detonators . . . . .		1,4
7. Paper . . . . .		1,6
8. Lead . . . . .	100 tons	0,2
9. Ferrochrom . . . . .	157 tons	0,2
10. Seamless pipes . . . . .		0,7
11. Copper Brass pipes and tubes . . . . .		5,5
12. Power cables . . . . .		1,0
13. Aluminium Wire rods . . . . .		5,2
14. Tractors and parts . . . . .		10,3
15. Other agricultural machines . . . . .	2,100 pcs.	1,1
16. Machine Tools . . . . .		1,5
17. Electromaterial . . . . .		1,5
18. Industrial and marine diesel engines . . . . .		5,4
19. Earthmoving machines . . . . .		5,3
20. Capital goods . . . . .		47,2
21. Steel rolls for rolling mills . . . . .		0,1
22. Gas cylinders . . . . .		1,7
23. Steel products . . . . .		2,6
24. Textile machines . . . . .		0,1
25. Aluminium cement . . . . .		0,3
26. Laboratory equipment . . . . .	1,740 tons	0,3
27. Photo material . . . . .		0,8
28. Dental material . . . . .		0,1
29. Fittings . . . . .		0,1
30. Drawn wire . . . . .		0,1
31. Hops . . . . .		0,1
32. Ships . . . . .	15 tons	0,1
33. Miscellaneous . . . . .	3 pcs.	20,4
		1,2
<b>TOTAL</b>	<b>(\$29,6)</b>	<b>141,0</b>

**APPENDIX II**  
**YUGOSLAV'S IMPORTS FROM INDIA**

1 January—31 December 1965

	Quantity	Value (million Rs.)
1. Iron ore . . . . .	332,860 tons	24,8
2. Manganese ore . . . . .	34,920 tons	6,9
3. Other minerals . . . . .		0,4
4. Mica . . . . .		0,2
5. Tea . . . . .	284 tons	1,6
6. Coffee . . . . .	3,138 tons	15,0
7. Pepper . . . . .	967 tons	4,3
8. Tobacco . . . . .	110 tons	0,3
9. Various chemicals, drugs and pharmaceutical goods . . . . .		2,0
10. Linoleum . . . . .		2,7
11. Industrial goods . . . . .		1,4
12. Electro products . . . . .		1,0
13. Cotton waste . . . . .	1,640 tons	4,5
14. Jute products . . . . .		10,4
15. Textiles . . . . .		8,1
16. Casings . . . . .		0,1
17. Oil cakes . . . . .	57,923 tons	29,4
18. Fountain pens, cosmetics, spectacle frames etc. . . . .		1,5
19. Hides and skins . . . . .		7,9
20. Handicrafts . . . . .		0,5
21. Plastic goods . . . . .		0,5
22. Oil extracts . . . . .		0,3
23. Tubes and tyres . . . . .		10,7
24. Miscellaneous . . . . .		1,0
<b>TOTAL</b> . . . . .	<b>( 28,3)</b>	<b>135,5</b>

