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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

RELATIONS BETWEEN YUGOSLAVIA AND COMECON

Note by the German Delegation

With reference to the discussion of the economic relations between Yugoslavia and the members of COMECON at the last meeting of the Sub-Committee on 25th September, 1964(1), the German Delegation has received the following additional information:

2. For about 18 months, Yugoslavia seems to have made great efforts to establish a closer industrial co-operation with COMECON countries. While the agreement between Yugoslavia and COMECON of 17th September, 1964 defines Yugoslavia's participation in the work of certain COMECON bodies, it does not, presumably on purpose, fully clarify the official status of her membership(2). It may be assumed that Yugoslavia will take advantage of her co-operation in COMECON to a degree beneficial to her economy.

3. Of late, special Yugoslav bodies established to promote the exchange of goods with Soviet-bloc countries seem to have sought closer contacts with COMECON organizations and to have increased their co-operation with other COMECON countries within the scope of bilateral commissions. Yugoslavia and various Soviet bloc countries furthermore agreed to establish so-called expert groups.

4. The trade agreements recently concluded between Yugoslavia and COMECON members for 1964 are designed to increase the volume of goods to be exchanged between these countries. In this connection reference is made to the trade agreements with:

- Bulgaria:

26th May, 1964. General increase agreed for 1964.

(1) See AC/89-R/56, Item V.

(2) According to unconfirmed information, Yugoslavia has become an "Associate Member" under Article X of the COMECON Charter (see AC/89-D/32), i.e. a status similar to her status in OECD.

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- Czechoslovakia:
10th December, 1963, 10th May, 1964 and Supplementary Protocol of May 1964, providing for an increase of about 30%
- Rumania:
21st June, 1964, providing for an increase of 10% in both directions.
- Poland:
25th April, 1964, providing for an increase of about 30%.
- Soviet-occupied Zone of Germany:
4th June, 1964, providing for an increase of 10%, (other sources refer to an increase of 30%).
- Hungary:
16th June, 1964, providing for an increase of about 15%.
- USSR:
26th September, 1963, providing for an increase of about 20% (in 1963, Soviet-Yugoslav trade increased by 50% as against 1962).

5. Yugoslav trade turnover with COMECON members has grown from \$10 million in 1954 to \$450 million in 1963. The COMECON countries' share in Yugoslavia's total trade has risen from 21.3% in the first half of 1963 to 27.5% in the first half of 1964.

6. During the last few months, Yugoslavia has concluded the following agreements on technical and industrial co-operation:

- Bulgaria:
16th May, 1964. In addition, discussions are under way on development programmes and a division of labour in the chemical and pharmaceutical industries.
- Czechoslovakia:
17th July, 1964. Discussions are being held on increased production co-operation between chemical factories.
- Poland:
30th June, 1964. Increased economic co-operation. Long-term arrangements to intensify relations in the mechanical engineering, electrical, ferrous and non-ferrous metallurgy and chemical industries. Relations between nuclear scientists are particularly close.

- Rumania:
End of March 1964. Further increase in economic co-operation in various industries.
- Soviet-occupied Zone of Germany:
16th May, 1964. Possibilities of industrial co-operation in the ferrous and non-ferrous metals, chemical, electrical, and light industries as well as in mechanical engineering are being studied.
- Hungary:
Announcements made in September 1964 indicate that a committee on Hungarian-Yugoslav economic co-operation has been established on the basis of the agreement of March 1963 and that agreement has been reached on specialisation and co-operation in various industries.
- USSR:
10th April, 1963. Specialisation, co-operation and exchange of technical know-how in the mechanical engineering industry.

7. These agreements seem to indicate that the influence of those economic functionaries in Yugoslavia who are strongly advocating accelerated and intensified co-operation with the COMECON countries is growing. Yugoslavia's economic policy is also benefitting from the relaxation which is at present taking place within the Soviet bloc. The risk for Yugoslavia of becoming dependent on the Soviet-bloc by establishing closer economic relations with these countries appears to be smaller than at the time when Yugoslavia broke off her relations with the COMINFORM. At least, such a risk does not exist as long as the West is prepared to continue to grant Yugoslavia effective aid.

8. The closer economic co-operation between Yugoslavia and the Soviet-bloc countries will first of all be reflected in an increase of the Soviet-bloc countries' share in Yugoslav foreign trade. But co-operation in industry is only in its initial stages and will probably encounter the same difficulties which continue to mark industrial co-operation within COMECON.

9. So far, Yugoslavia seems to have tried to avoid any action which might interfere with her existing brisk trade relations with Western industrialised countries.

OTAN/NATO,
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