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ECONOMIC COMMITTEE

YUGOSLAVIA AND COMECON: A GROWING PARTNERSHIP

Note by the French Delegation

INTRODUCTION

For some years now, Yugoslavia has been skilfully zig-zagging between East and West, particularly in the economic field. For example, besides enjoying observer status at the OECD and at GATT, it has since 1964 benefited from a special associate status with the COMECON.

2. Hard-hit by the crisis in the West, which has fuelled inflation and increased its trade deficit with the developed countries, Yugoslavia was quick to cash in on its association with COMECON. This volume of its trade with that organization has, since 1974, risen steeply, a rise which has been helped by the marked improvement in Soviet Yugoslav political relations.

I. POSITION OF YUGOSLAVIA IN COMECON

3. Rather than become a full member of COMECON or participate simply as an observer, Yugoslavia opted for a special form of association, which was spelt out in the co-operative agreement of 17th September, 1964.

- Nature of relations with COMECON

4. Belgrade is anxious to retain its non-aligned position vis-à-vis the blocs and also to preserve its freedom of action on economic matters. Its co-operation is accordingly confined to areas of common interest.

5. The Yugoslavs have always resisted Soviet encouragement to become full members of COMECON. They send as their representative to Council meetings only a Vice-President of the Federal Executive Council, in contrast with the member countries, who are represented by their Heads of Government(1).

This document includes: 2 Annexes

(1) There have occasionally been exceptions however: Yugoslavia was represented at the 26th Session in 1972 and at the 28th Session in 1974 by Mr. Bijedic, President of the Federal Executive Council (now deceased).

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6. However, the nature of Yugoslav co-operation with COMECON is at present more like that of a member state than of an associate.

7. In particular, Yugoslavia has, since 1973, joined a growing number of community bodies and there are now very few in which it does not participate.

- Current Yugoslav participation in COMECON bodies

8. Yugoslavia is represented in COMECON by a Permanent Representative, who attends meetings of the Executive Committee (the economic organization's senior body), by a Head of Mission who lives in Moscow and by delegations to the various committees, commissions and conferences(1).

9. It takes part in the work of almost all the COMECON standing committees and commissions, either as an active member or as an observer. Its representatives join in the activities of five out of the six regular conferences. Yugoslavia has, moreover, joined five of the international organizations: Intermetall in 1967, the International Workers' Union in 1970, Interatomenergo and Interkhim - volokno in 1973 and Inter-electro in 1976. On the other hand, it is not represented at all in the COMECON institutes. In April 1974, however, Belgrade signed a credit agreement with the International Investments Bank.

II. ECONOMIC RELATIONS WITH COMECON

10. Besides being to its advantage, particularly at a time when the current recession is prompting the West to take protectionist measures which penalise Yugoslav goods, Belgrade's trade relations with the COMECON are not confined exclusively to trade but also cover economic and technical co-operation.

- Trade with COMECON

11. Yugoslav trade with COMECON countries doubled between 1973 and 1976(2). These countries provide a market for Yugoslav goods, which are subject to quotas in the West, and are even eager to take items produced with the help of Western technology. Furthermore, the planning of trade relations within COMECON means that national output can be related to imports.

- (1) An organizational chart of COMECON and a list of the commissions and conferences in which Yugoslavia currently participates are attached at Annex A.
- (2) In 1976, COMECON accounted for 35.4% of Yugoslav trade, as compared with 28.1% in 1973.

12. There are, however, limits to the growth of this trade. COMECON member countries are unable to provide Yugoslavia with the full range of its requirements. Yugoslav industrial authorities are accustomed to the capitalist trade circuits and are reluctant to buy from the East equipment which is often of inferior quality with far-removed delivery dates. In addition, although the planning of trade has certain advantages, it sometimes appears too rigid and rules out any possibility of buying goods over and above the previously-stated requirements.

13. Trade between Yugoslavia and COMECON member countries is, generally speaking, in balance and payments are made in convertible currencies or in the form of clearing arrangements. At the Manila Conference in February 1976, however, the Yugoslav delegation supported a motion calling for the convertibility of the rouble.

- Economic and technical co-operation with COMECON

14. Yugoslavia has entered into over fifty bilateral agreements on economic and technical co-operation whereby it shares in the distribution of tasks among the COMECON countries. As a consequence of these agreements, its industry has become more specialised since 1972, particularly in electronics and motor car manufacture. In 1976, this form of co-operation was extended to include agriculture.

15. Also, the most industrialised COMECON countries are anxious to invest in Yugoslavia, which is a source of both raw materials (particularly bauxite) and of indirect access to Western technology. Joint banking consortia have been set up to finance these investments.

16. The form of co-operation from which Belgrade stands to derive the greatest benefit is in the field of transport and energy. Work on the Danube is thus going actively ahead and Yugoslavia has established links with the system of inter-connection of member countries' power networks ("MIR" system)(1).

- Special trade relations with the USSR

17. Trade between the Soviet Union and Yugoslavia, within the framework of COMECON, is rising steadily at the expense of the other Socialist partners and 51% of Yugoslavia's foreign trade is now with the USSR which, in a world-wide context, is now its leading customer and second-largest supplier.

(1) At the 30th session of COMECON in July 1976.

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18. Between 1970 and 1975, the value of trade trebled and should grow by another 240% by 1980(1). This increase is due to the international economic situation, and especially to the 1972 bilateral agreement which provided the impetus for closer co-operation in every field. Bijedic's visit to Moscow in 1975, set the seal on this co-operation.

19. Yugoslavia's main exports to the USSR consist of metallurgical equipment, non-ferrous metals and consumer goods, in exchange for which it obtains industrial plant and raw materials. The two countries are co-operating actively in many sectors (hydro-electric power, automobile manufacture, etc.) and have entered into specialization agreements (textile and food industries).

CONCLUSIONS

20. The increase in Yugoslav trade with the COMECON has been helped by the steady improvement in the country's relations with the Soviet Union, as evidenced by Mr. Brezhnev's visit to Belgrade in November 1976.

21. This rapprochement has not, however, affected the non-alignment policy to which Marshall Tito has been committed for 25 years, and the Yugoslav Head of State is keenly aware of the risks which threaten his country. Thus, the present closing of economic ties with COMECON is simply the consequence, of the prevailing economic situation.

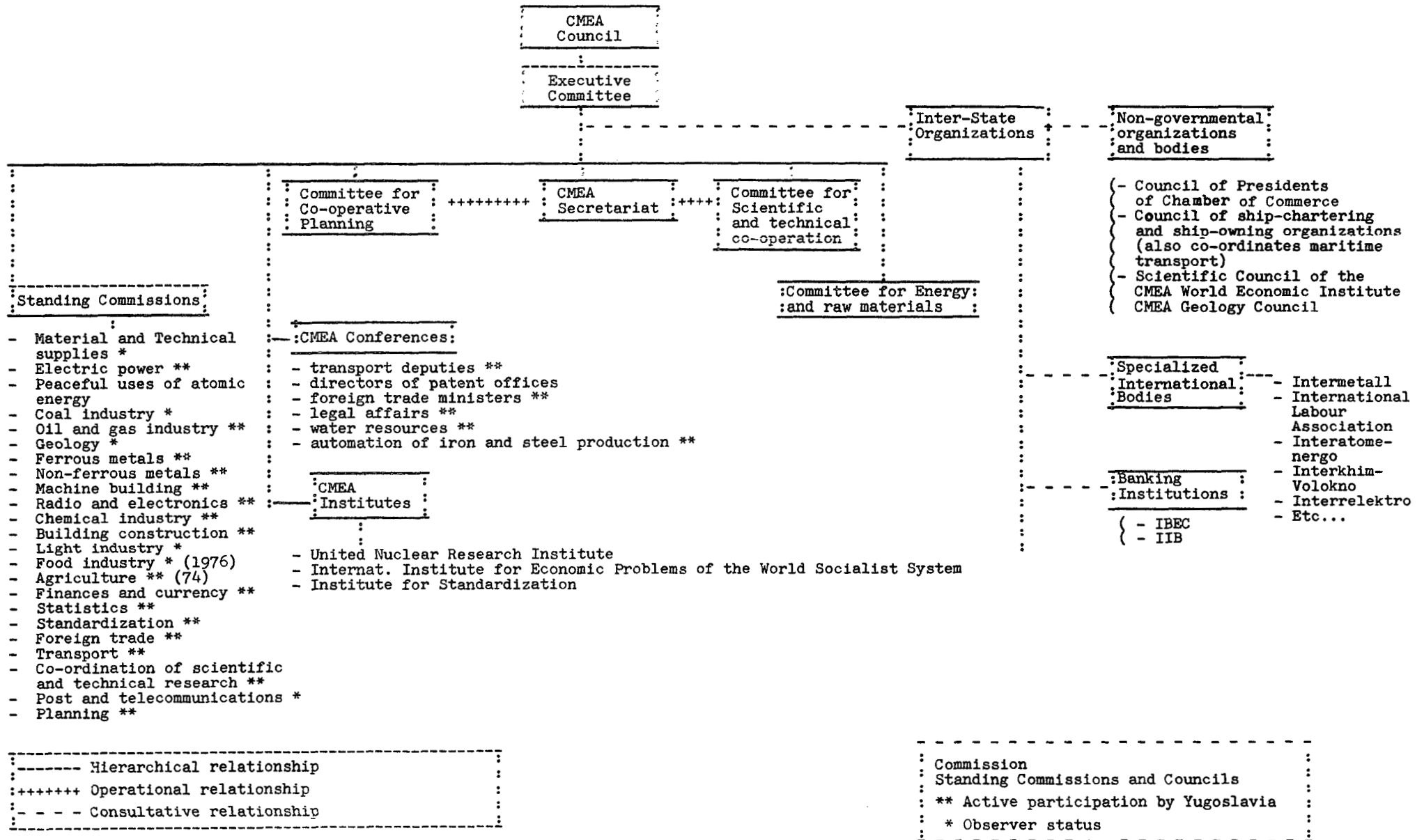
22. Yugoslavia's foreign trade balance for early 1977 seems to bear out this assumption. By comparison with January and February 1976, Yugoslav trade with the West rose by 17.1% in the first two months of the year, whereas trade with the COMECON countries fell by 12.3%.

23. There is every reason to believe that a sustained economic recovery in the West would prompt Belgrade to swing round again and simultaneously to loosen its ties with the East. The fact that Yugoslavia has been granted new concessions by the EEC - negotiated in Brussels in April 1977 - is bound to increase still further the incentive for such a change of direction.

NATO,
1110 Brussels.

(1) Trade in 1970: 520 million roubles
1975: 1.6 milliard roubles
1980: 5.8 milliard roubles

STRUCTURE OF THE COUNCIL FOR MUTUAL ECONOMIC AID



ANNEX B to
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GEOGRAPHICAL BREAKDOWN OF YUGOSLAV TRADE

(in %)

	EXPORTS				IMPORTS			
	1973	1974	1975	1976	1973	1974	1975	1976
OECD countries	55.7	46.6	35.7	40.5	62.5	60.5	60.7	56.2
Third World	10.3	11.9	17.1	17.9	12.7	16.2	14.5	6.9
COMECON	32.1	38.1	45.9	41.6	24.1	22.4	23.9	29.2
USSR	14.2	17.6	24.8	23.4	9.0	9.9	10.5	13.6
Czechoslovakia	4.4	5.4	6.1	4.7	4.1	3.8	4.1	4.4
Poland	4.4	3.4	4.4	4.1	2.7	1.6	2.5	2.6
GDR	2.9	3.5	4.8	3.9	3.2	2.3	2.9	2.9
Rumania	2.6	3.1	2.7	2.2	2.3	2.0	1.5	2.8
Hungary	1.9	2.5	2.2	1.8	1.8	1.5	1.5	1.7
Bulgaria	1.5	1.7	1.3	1.3	1.0	1.0	0.9	0.9