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CO-OPERATION BETWEEN YUGOSLAVIA AND DEVELOPING COUNTRIES
IN PROMOTION OF INDUSTRIAL EXPORTS ^{1/}

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1. Yugoslavia's Industrial Cooperation
with Developing Countries

1. At the present stage of its development the Yugoslav economy is capable of developing new forms of economic cooperation with countries at various levels of economic development. Bearing in mind the general level of technology in the Yugoslav economy, the general level of skills, both workers' skill and managerial skill, and, finally, the structure of industry, industrial cooperation with developing countries has become a real necessity for the Yugoslav economy.
2. Of course, there can be many different approaches to the problem of industrial cooperation, and many different definitions of this term can be formulated as well as different judgments as to its necessity. Industrial cooperation can be considered in its narrow and in its broader sense.
3. Industrial cooperation, in the narrow sense of the word, involves cooperation in the production of one or several products, in using the same technology, or the same division of labour between industrial enterprises of two or more countries producing these or kindred articles.
4. In the broader sense, the term industrial cooperation frequently designates deliveries of industrial equipment, construction of industrial plants, or, in other words, investment activity, combined with classical trade methods, such as commercial contracts providing for deliveries of goods on credit (fully or partially) on the part of a country exporting industrial equipment, coupled with the extensions of technical assistance.
5. In judging whether a country has been successful in developing industrial cooperation with foreign countries one must take into account the following group of factors:

a) endogenous factors: this presupposes a long-term orientation of production and export policies, after having previously established what should be the potential role of the given national economy in an international scheme of division of labour. After this first step the economy should look for partners abroad in order to organize production of one or more industrial products in organizing a proper division of labour among enterprises producing these items. In addition, after having determined what are the long-term interests of the economy, the internal economic system should be adjusted to suit this new scheme, and this would be done in adopting a series of measures in the field of credit and taxation policies, granting of favour in foreign trade in order to promote industrial cooperation with foreign countries, in making the necessary efforts to organize joint production and sales of the products in question.

b) exogenous factors: similar to what happens under all other forms of international cooperation, at first it will be necessary to induce the necessary changes of attitude in countries who will be the potential partners in cooperation ventures. That means that cooperation necessitates at least one, and perhaps more partners abroad, interested in this form of cooperation.

In other words, compared with other, classical forms of international economic cooperation, industrial cooperation (in the present meaning of the word) is a higher, more complex and more delicate form of cooperation. Hence, all the steps of current economic policy are, by their very nature, much more complex. In a large number of cases these ventures require additional capital investments.

6. All the above mentioned elements still are at an embryonic stage in Yugoslavia's economic relations with foreign countries. This is one of the main reasons why, during the period of mid-fifties to the mid-sixties, Yugoslav businessmen were principally interested in gathering knowledge and experience in relations with the deve-

veloping countries, first of all in the domain of trade.

7. The implementation of economic reform programmes in Yugoslavia involves, in the domain of external economic relations, the adoption of a series of measures going from the introduction of a unique currency rate to the full convertibility of the dinar. Owing to the fact that other economic policy instruments have remained unchanged, this has lessened the interest of Yugoslav enterprises in furthering cooperation with developing countries, at least in the short run, and has increased their interest in intensifying economic relations with countries of the convertible currency area.

8. In other words, also from a long-term standpoint, in observing the movements within the Yugoslav economy, and the evolution of its economic relations with abroad, we may understand the reason why up to now agreements on economic cooperation have taken so modest proportions. This form of cooperation cannot stand any comparison with the intensive political relations between Yugoslavia and a large number of developing countries.

9. In our previous exposition, concerning the general characteristics of trade relations between Yugoslavia and the developing countries, we have pointed out the fact that Yugoslav imports from these countries are mainly composed of primary commodities (about 50 percent of the total imports) and a small number of semi-processed goods, while in the commodity pattern of Yugoslav exports to these countries the main place is held by manufactures (about 80 percent). Such a pattern of mutual trade is the natural consequence of a number of factors: structure of production in a large number of developing countries, quality of goods, their prices and the terms of delivery. In addition, one should not underestimate the role of the clearing system which is in force with many of these countries.

10. Since the late fifties the Yugoslav enterprises have concluded about 20 agreements on industrial cooperation with enterprises and agencies in the developing countries, but about a half of these agreements have not actually led to industrial cooperation,

their importance having been reduced to that of simple commercial contracts,

11. Among the existing agreements on industrial cooperation only agreements with India, the UAR and Indonesia deserve some attention,

12. Bearing in mind the very intensive development of India's economic relations with foreign countries, we shall be surprised of the modest size of her relations with Yugoslavia. During the last ten years India has concluded about 2200 agreements on industrial cooperation with 22 countries, but only 8 agreements are with Yugoslavia. After the conclusion of the tripartite agreement between India, the UAR and Yugoslavia, the interest of businessmen in those agreements has visibly increased. During the first semester of 1968 numerous negotiations were initiated between Yugoslav and Indian firms, but so far no concrete agreements have been reached.

13. Industrial cooperation between Yugoslav and Indian firms will be extended to the production of following articles:

- wheeled tractors
- medicaments and vaccines
- lorries
- railway cars
- ship equipment
- electrical apparatus and equipment
- electronic equipment and apparatus
- measuring instruments.

14. Instances are under way to reach agreement on cooperation in the following branches of industry and the production of the following items:

- crawler tractors of various sizes
- small-capacity passenger cars, and auxiliary industries
- scooters
- Diesel engines (determined models)
- equipment and installations for the electric manufacturing industry and power plants
- equipment for shipyards

- engineering industry (production of tools, bearings, mining equipment, equipment for installations in various branches of the manufacturing and building construction industry)
- textile industry
- leather and rubber industry.

15. On the Yugoslav side hopes are nourished as to the possibility to extend cooperation to such domains, which cannot be considered as industrial domains in the proper sense of the word, but constitute important pre-investment activities such as geological prospection works, hydrological and hydraulical works, construction of water ways and harbours.

16. The second important partner in industrial cooperation ventures is the United Arab Republic. So far, five agreements have been concluded with this country, but they have not reached the stage of implementation, and do not even offer favourable prospects of being implemented in the previsible future, except in the production of tractors.

17. In view of the hitherto experience in industrial cooperation with UAR enterprises, there are hopes that this kind of cooperation may be prosperous in the following domains:

- exploration of petroleum fields, exploitation of wells and refining of petroleum
- production of motor vehicles and certain auxiliary branches
- electrical equipment and machinery
- fertilizers industries (phosphates)
- production of elevators for residential buildings
- production of equipment and installations for certain sectors of the food processing industry (slaughterhouses, fruit processing, production of fruit juices)
- geological and mining prospection
- land improvement projects.

18. Certain potential partners from the UAR have notified to corresponding Yugoslav partners their interest in industrial cooperation.

ration in the domain of the textile industry (cotton spinning), and in the production of phosphate fertilizers.

19. Between Yugoslavia and Indonesia there is an agreement on cooperation in the production of motors for the road vehicles. Negotiations are under way for the conclusion of an agreement concerning production and sale of farm machinery.

20. In Yugoslav relations with other developing countries there have hardly been any attempts to initiate negotiations even for such embryonic forms of industrial cooperation. The only form of economic cooperation are deliveries of equipment on credit.

21. Despite the fact that, as yet, no notable agreements on industrial cooperation were reached with the developing countries (if we except the agreements with Indonesia concerning the production of motors) and with India (tractor industry), there are fairly good prospects that, thanks to accumulated experience of Yugoslav enterprises in dealing with the developing countries, and to general policies oriented towards a further intensification of economic intercourse with this group of countries, more intensive relationships are likely to be established with developing countries in the field of industrial cooperation. The results so far achieved do not go beyond pioneer work and constitute but the first stage - acquaintance with technical, organisational and commercial aspects of cooperation, as well as with personal problems. In other words, in the domain of industrial cooperation, the period of the sixties can be compared, as regards the effects and expectancies, with the so-called pre-investment period, necessary for creating a proper investment climate, and establishing a general framework for future cooperation. Actual action, consisting in the activation of all factors, will take place in the coming stage.

22. During the 1966-1967 period more than hundred useful contacts have been established between Indian, UAR and Yugoslav enterprises, on the one hand, and the developing countries in the Mediterranean area, Africa and Asia, on the other.

23. Within the framework of this initial form of cooperation, the possibilities have been explored for industrial cooperation in the following sectors:

- production of tractors and other motor vehicles, and auxiliary industries
- electric manufacturing industry
- pharmaceutical industry
- chemical industry
- mines and metallurgy
- shipbuilding industry and production of various marine equipment
- metal manufacturing industry.

24. An analysis of agreements on industrial cooperation concluded so far between Yugoslav enterprises and those in developing countries would show that this kind of cooperation has taken the most rudimentary forms. It has not gone beyond the conclusion of standard commercial deals, so that the mutual interdependence of cooperating firms, and the degree of intensity of their relations is still at an initial stage.

25. According to estimates of Yugoslav experts, the level of cooperation is not determined by the endeavours of both partners to achieve a high degree of specialization in utilizing to the maximum the technical and economic possibilities. So far there has been no cooperation in organizing the marketing of products on third markets, in the domain of market research, in the adoption of modern marketing methods, and in assuming risks. In other words, even in cases where cooperation exists in the industrial sphere, it does not involve joint marketing of products, but is reduced to mutual deliveries of products.

26. The reason for this low level of industrial cooperation can be sought in the fact, that both in the case of Yugoslavia, and in the case of potential partners among the developing countries, the most fundamental question - that of the profile to be given to the national economy - is still unsolved, and this is a sine qua

ness condition for successful industrial cooperation. But industrial cooperation involves a strengthening of independence between the national economies, or, to be more precise, between the enterprises and branches engaged in this form of economic cooperation, and, at the same time, increases the risks which cannot be controlled in an efficient way, as within national boundaries, a fact which contributes to increase the caution of those who are interested in similar transactions, but cannot make them with the same degree of caution as in the case of standard commercial operations. Hence, the necessity to proceed with the examination of all accompanying conditions, and with the economic and legal regulation of industrial cooperation, particularly among countries whose industry is still young, and among those who just start the industrialization process. This is a very complex operation which cannot be furthered by artificial stimuli. Each unsuccessful step in this domain could produce adverse long-term effects on the future development of industrial cooperation among the developing countries. Bearing in mind the number of limiting factors in the domain of industrial cooperation, it becomes evident why these forms of cooperation remain behind the degree of intensity of purely commercial relations, even if we take into account the fact that over the last years the question has been posed how to intensify the trade among the developing countries. This has caused much trouble because trade does not grow at the desired rate. But even the domain of trade, the developing countries, for understandable reasons, maintain much more intensive relations with industrially developed countries than between themselves. Bearing in mind this fact, we may easily understand the reason why industrial cooperation between the developing countries is still at the incipient stage. If there is some difficulty to adopt this generally worded conclusion as a general rule when speaking about relations between developing countries, the writer insists on the fact that his appraisal is relevant as far as industrial cooperation between Yugoslavia and the developing countries is

concerned.

27. What seems of fundamental importance for the future of industrial cooperation between Yugoslavia and the developing countries, is the necessity to appreciate at its true value the possibility of raising the degree of specialization and mutual division of labour between the industries of the countries involved, because this would necessarily reduce the number of industries in each country, and would enable both partners to pursue joint market research in order to find out the possibilities of assuring the placement of goods on third markets, and not only on the markets of countries which have adopted their form of industrial cooperation. Hence, after having established the optimum model of the national economy (first of all from the viewpoint of the production pattern and the size of series in industrial production), it will be indispensable to make a long-term approach, which is much closer to true partnership than relations among trade partners having signed a contract on sale and purchase. We must touch upon this question because the opinions in Yugoslav business circles and public opinion at large, differ on this point. According to some opinion the present relations with the developing countries have not attained the potentially possible level, so that special measures have to be taken to stimulate them. According to other views the present level of economic cooperation, and of industrial cooperation, is the real expression of the present development level and of the potential possibilities both of Yugoslavia and of the developing countries, and, only in making strenuous efforts and using much patience it will be possible to obtain appreciable results in intensifying economic cooperation.

28. One of the instruments which will contribute to the intensification of activities of Yugoslav enterprises in the developing countries is the Fund for Export Credits and Insurance, founded in 1967. The function of this Fund is to stimulate industrial cooperation.

29. A factor influencing future industrial cooperation between Yugoslavia and the developing countries is the choice of a proper industrial structure in the developing countries. Once they will have solved this problem, they will be prepared for industrial cooperation with other countries, and with Yugoslavia, and so will other countries who are destined to be their partners in these ventures.

2. New Institutional Forms in Organising

Industrial Cooperation

The Tripartite Agreement between India,

the UAR and Yugoslavia

30. Although institutional forms of international economic relations cannot be of decisive importance for the solution of open problems of individual national economies, or of the subregion or region as a whole, the evolution after the Second World War has clearly shown the necessity to develop new institutional forms with a view to stimulating the various aspects of cooperation.

31. The emergence of a steadily increasing number of new independent states, and the strengthening of State intervention in the internal economy of a country, impose more and more the necessity for a stronger intervention of State administration in order to regulate trade payments, capital movements, manpower, providing of technical and economic assistance, etc. If intervention in the domain of economic relations with the outside world is a corollary and a result of increased State intervention within the framework of a national economy (the best example for this are the "welfare state" systems), in underdeveloped countries intervention is rendered necessary by the scarcity of resources from domestic accumulation. In these countries the process of concentration and centralisation of capital accumulation must be regulated in harmony with the economic budget and the development plan and programme, if the country in question is not willing to resort to outright controls.

32. In this context we have no possibility to list all the forms of new institutional arrangements in international economic intercourse, even as a mere illustration. But, speaking of the developing countries we shall not omit to mention that, with the increase in the number of these countries, there is a growing belief in the potential advantages of their mutual economic cooperation. The inevitability of cooperation has become evident to everybody, particularly in the domain of purely political relations. This largely explains what has been called "revolution of the third world", and non-alignment policies. Confronted with the crucial problem of promoting development of their political institutions, cultural life and of their economy, etc., a large number of developing countries, and particularly those who have succeeded to independence after the Second World War, have adopted the principles of active peaceful coexistence as their main political platform and are actively pursuing non-alignment policies.

33. But, after having succeeded to organize cooperation in some vitally important domains of political relations, in a general setting characterized by the growing necessity to find solutions to internal economic problems, a climate was created in which new ideas began to appear concerning the necessity of finding new forms of mutual cooperation among the developing countries themselves. These ideas began to take shape after the Beograd Conference of non-aligned countries in September 1961, and they have grown to maturity at the moment of the Economic Conference of non-aligned countries held in Cairo in 1962, and, finally, have led to the convocation of the United Nations Conference on Trade and Development (UNCTAD) in 1964.

34. The main promoters of these ideas were India, the UAR, and Yugoslavia.

35. In a similar setting the idea was born that India, the UAR and Yugoslavia should make new efforts to achieve tripartite economic cooperation, in order to enable a more rational utilization of their modest resources for investment purposes, in each country (in an absolute sense and in relation to their population numbers, and the degree of their economic backwardness, or the degree of urgency in the satisfaction of their needs).

36. In other words, India, the UAR and Yugoslavia, who can look upon a long experience in development policies, and have a long tradition of intensive cooperation in the most essential issues of international politics and in international economic questions, have been predestinate to be the first to look after new forms of economic cooperation.

37. As different from other integration ventures of a subregional or regional character, tripartite cooperation between India, the UAR and Yugoslavia cannot be termed as a regional cooperation venture, because it has been achieved among countries of three continents. Although still underdeveloped, the three countries are at different levels of economic development, and there is hardly any similarity among them as regards social systems.

38. We may conclude from the above said, that in this case we have to deal with a qualitatively new attempt to find possibilities for a new kind of cooperation, which does not suit the standard arguments. Once implemented, the tripartite agreement will accelerate the economic development of each participant, and can serve as a precious example to other developing countries.

39. The idea to develop new forms of intensive economic cooperation between the three countries has been launched at the New Delhi Conference of the heads of state and governments, held between October 21 and 24, 1966, with the participation

of Indira Gandhi, Gamal Abdel Nasser and Josip Broz Tito.

40. At the same time this was a new effort to bring together countries which so far have professed similar ideas and assumed similar attitudes on many international problems. Close political cooperation has given way to policies intended to achieve a close cooperation among the economies of the three countries. The new forms of cooperation shall contribute to a more rational division of labour among the three countries, in enabling them to make a more rational use of their existing resources.

41. In considering the economic sectors suitable for more intensive cooperation among the partners, already at the beginning attention has been devoted to a very propellent branch of industry, namely production of TV sets. Both the UAR and Yugoslavia possess a rather developed TV equipment industry, while India is about to introduce television broadcasting. The planners of the three countries have grasped the advantages arising for all of them if the already existing production facilities of Yugoslavia and the UAR in this sector were to be developed in a way making them capable of supplying the Indian market, while India would receive the possibility to utilize the resources primarily intended for the development of the TV sets industry in a more rational way in developing other industrial sectors. Another example has been singled out for consideration, namely the example of the automobile factories using a Fiat licence in the three countries. Small scale production, with its adverse economic consequences, affects gravely the young automobile industry in each of the three countries. If the development plans of the three countries, and particularly those concerning the automobile industry, were coordinated in a proper way, this would enable the three countries to achieve considerable economies in building up a

powerful centre of the automobile industry in one of them, with assured outlet on the markets of the three countries.

42. In the official statement published after the summit conference, on October 24, a passage was devoted to stress the dangerous consequence of a further decline of the growth rate in the developing countries, pointing at the same time at the necessity to achieve a coordination of efforts to thwart these tendency and to achieve a change for better.

43. Concrete proposals were made to promote economic cooperation between the developing countries, in pointing out the necessity

- for the developing countries to unite themselves in order to strengthen mutual economic cooperation

- to make the necessary efforts to increase mutual trade

- to utilize in a more proper way the existing experience in technology in order to increase mutual trade and accelerate economic development.

44. These suggestions were formulated so as to constitute an appeal to the developing countries, in accentuating at the same time several arguments in favour of a further intensification of economic cooperation between India, the UAR and Yugoslavia. These are as follows:

- friendship and mutual understanding between the peoples of India, the UAR and Yugoslavia
- common objectives and common approach to world problems, characteristic for the hitherto cooperation of these three countries
- tendencies towards closer cooperation in the economic, technical, scientific and cultural domain.

45. At this occasion conclusions were formulated to the effect that the representatives of the three countries competent for trade, industry and technology should meet in order to decide on measures for the implementation of the above formulated tasks.

46. Two months later, in December 12-14 1966, the delegates of the three countries actually met in New Delhi. At this meeting India was represented by Manubhai Shah, Minister of Commerce, the UAR by Hassan Abbas Zakhi, Minister of Economic Affairs and External Trade, and Yugoslavia by Alexander Grlićkov, Member of the Federal Executive Council.

47. At this occasion a detailed plan was elaborated in order to put in practice the recommendations of the October meeting (1966). The delegates of the three countries declared that the agreement on cooperation was open to the accession of other developing countries, and even to developed countries. In other words, already at the beginning of tripartite cooperation, the possibility was rejected that the third countries could view the tripartite agreement as an attempt of the three countries to isolate themselves vis-à-vis the outside world, and to initiate actions which would not be accessible to others, so that they could be accused for "separatism" and solely preoccupied with the promotion of their own selfish interests.

48. A further result of the tripartite meeting, which has been stressed in the statement, are the recommendations of the three governments to the developing countries to utilize to the maximum possible extent their own resources for speeding up economic development, regardless of the way these questions will be solved within the framework

of the international community as a whole. In other words orientation towards the use of the own forces is a basic task, although this does not involve a renouncement to a common action on a broader plane.

49. In the course of 1967 these general principles were subject to further consideration on the meetings of three ad hoc groups who were examining the following items:

- expansion of trade
- expansion of industrial cooperation
- the third group was concerned with shipping.

50. Bearing in mind the fact that trade - merchandises and services - is the basic form of international economic intercourse, and that in this domain the three partners possess the greatest experience, trade issues received major attention in the formulation of measures intended to put in practice the recommendations of the summit. The point of departure of these considerations were the results hitherto achieved in bilateral trade. In that connection the three partners have pointed out the possibilities of increasing the production of raw materials, semi-processed goods and manufactures in order to expand exports both in the intra trade of the three partners and to other markets.

51. In order to promote the expansion of their mutual trade, the representatives of the three governments agreed to introduce preferential tariffs in their mutual trade, but with the provision that these preferential tariffs could also be granted to other developing countries. The simplification of customs and other procedures in the domain of foreign trade shall be considered as one of the first tasks.

52. As different from the exclusively bilateral relations which have prevailed up to now, the three partners have agreed to create new frameworks for multilateral trade and

payments, based on the study of trade flows.

53. The Working Group for Trade Issues held its meeting at Cairo between February 14 to 23 1967. At this occasion experts from the three countries have worked out the commodity list of articles scheduled to enjoy preferential treatment. This work was continued by a special sub-group, which held its meeting in Beograd between September 11 to 20, 1967. The sub-group started its work in establishing a list of articles enjoying preferential treatment by the consent of competent factors in each participating country. The following meeting of the Working Group for Trade Issues was held at New Delhi between December 15 and 23, 1967, resulting in the signing of an Agreement on the Expansion of Trade and Economic Cooperation.

54. The jointly established list of articles enjoying preferential treatment contains 500 articles under 77 customs headings. The structure of this list is the following:

- agricultural products (9 customs headings) ...	11.7 %
- various materials for production (34 customs headings)	44.1 %
- equipment (22 customs headings)	28.6 %
- consumer goods (12 customs headings)	5.6 %

55. At the consultations devoted to the establishment of that list Yugoslavia's delegates were anxious to include in the list various products of copper and aluminium, but their proposal was not accepted by India and the UAR. (The Indian delegates were asserting that India is about to create her own copper and aluminium industry, and, in addition, these articles enjoy preferential treatment within the Commonwealth).

56. Under Art. II of the Agreement on the Promotion of Trade and Economic Cooperation preferential treatment will be

accorded to goods originating from countries who are part to this Agreement. This clause required further elaboration namely the enactment of regulations concerning the origin of goods, in fixing the conditions which a given merchandise must meet if it is to enjoy the preferential treatment (the modalities of issuing the Certificate on the Origin of Goods and its content). Preferential treatment will be accorded to products included in the Common List of Preferences only if they are entirely produced in one of the exporting countries. As far as processed products are concerned, added costs of labour and material must be above 50 percent of the value of the final product, if the product in question is to enjoy preferential treatment.

57. In the first year after the entering into force of the Agreement the preferential rate will amount to 40 percent of the customs rate which has been applied so far, under the recognition of the most favoured nation clause. Next year the preferential rate will be raised to 50 percent. If, as a result of the application of the preferential rate, a given branch of industry or the production of a given article are threatened or if actual harm is inflicted to them the parties to the Agreement will consult themselves on the way to eliminate the difficulties.

58. Products subject to agreements on industrial cooperation enjoy a special treatment and are not included in the Common list.

59. In addition, the Agreement provides for the establishment of a special committee which will take care of its implementation, after its entering into force scheduled for April 1, 1968. The task of this committee is to formulate suggestions on the next step to be made in order to assure a consistent application of the Agreement.

60. The Agreement has been signed in New Delhi on December 23, 1967, and should have entered into force on April 1, 1968. This did not materialize owing to procedural difficulties. Namely, the Working Group has not considered in time the modalities and the date of notification of the Agreement to other developing countries, and to the GATT organization.

61. The GATT organization demanded some additional information about the Agreement. In that connection, the question was posed whether it was possible to conclude a preferential agreement, without prior consultation of the GATT organization, particularly in view of the fact that the agreement in question is an agreement between partners from different geographical regions.

62. According to professor Radivoje Uvalić, the well known Yugoslav economist, the conclusion of the Agreement without prior consultation of GATT can be warranted on the ground that the Final Act of the UNCTAD Conference recommends to the developing countries to resort to bilateral and multilateral cooperation in order to activate their own resources and speed up their economic development. In addition, professor Uvalić points at the clauses of GATT, under which the developing countries should enjoy special facilities in their efforts to expand trade, and to remove barriers hindering the expansion of their exports both to underdeveloped and to developed countries.

63. This is the first time that an agreement concluded between developing countries provides for cooperation on a tripartite intraregional basis.

64. Even after consultations on the further implementation of Agreement, some questions have remained unsolved, such as the question concerning the simplification of customs proce-

dures and formalities, and that of the multilateralization of trade relations. Yugoslavia was particularly interested in the adoption of a compensatory system in mutual payments, in order to enable a settlement of balances between the three countries. The Indian delegates were disposed to initiate discussions on this subject, but the UAR delegation refused to do it.

65. In addition, the three partners envision a mutual agreement on the granting of special facilities in the domain of finance and credits.

66. In order to assure the implementation of the tripartite agreement, the partners are obliged to reconsider the long-term aspects of changes in the production structure of the participating countries, as well as their long-term economic development plans. In actual fact, it is necessary to fix in advance the main elements of mutual trade, in assuring the expansion of trade through the establishment of a long-term pattern of division of labour. This requires substantial shifts in the production pattern of the three countries, so that one or two countries should specialize in the production of determined kinds of products, in anticipating that these products can count upon assured market within the group of three countries, and other developing countries who will be permitted to join the tripartite agreements.

67. Gradual shifts in the production pattern which must be accomplished in order to harmonize the interests of various partners is an arduous and complex task, even if this is done within the framework of a national economy, with conflicting interests between different regions and nationalities. This task becomes extremely more difficult if the harmonization of interests is to be achieved between three countries, let alone

between countries on three continents. But the very fact that this question has been placed on the agenda for the first time, shows the need for a long-term approach to these problems as a qualitatively new way of changing the economic relations between the developing countries.

68. Without any doubt, the Tripartite Agreement which has established preferentials in trade between the three countries is the first attempt of this nature. Its success will constitute a signal for the next steps which will be undertaken in this direction, intended to promote cooperation, and influence the size and intensity of future actions.

69. At the tripartite meeting of ministers, the question of industrial cooperation between India, the UAR and Yugoslavia has also been placed at the agenda. Starting from the existing pattern of bilateral cooperation the ministers have suggested that cooperation should be pursued within a tripartite framework. The first step in this direction is the exchange of informations concerning production programmes in sectors which have been judged as particularly suitable for the development of tripartite cooperation.

70. The meeting of the Working Group for Industrial Cooperation has been convened for the early days of June, 1967, but had to be postponed because of the Israeli aggression against the UAR, and was actually held between August 21 and September 2, 1967, in New Delhi. In our desire to be objective, we must concede the fact that at this meeting the Yugoslav delegation was the main factor interested in industrial cooperation, because of the idle capacities of the Yugoslav industry counting upon potential outlets in the Indian and the UAR market. India, in view of the dimensions of her territory, large population numbers, and her large internal market is much less interested

in this kind of cooperation. The attitudes of the UAR delegation were influenced by the general climate in the Near Eastern area, and in the UAR herself after the defeat in the war.

71. Yugoslav attitudes at the meeting of the Working Group were characterized by the endeavours to intensify bilateral cooperation, and to make it multilateral. Indian delegates were primarily interested in promoting industrial cooperation in domains in which Indian industry, being not capable of introducing adequate production methods by its own forces, is interested in obtaining licences, and is not capable of assuring sufficient production. India also desires to increase the role of the State in directing the process of industrial cooperation. The delegation of the UAR endeavoured to achieve concrete agreements for the realization of a few projects, and in obtaining most rapidly concrete results in industrial cooperation. Some divergencies of views appeared at the meeting as regards the further evolution of industrial cooperation, mainly due to the proposals of the Yugoslav delegation to transfer the examination of particular problems to sub-groups, whereas the Indian and UAR delegates were more interested in promoting contacts between official delegates, and the government administration of the three countries. The Yugoslav attitude was in favour of contacts between direct representatives of industrial branches having a potential stake in industrial cooperation, and even between enterprises, in order to find a common language. Finally, Yugoslav views prevailed and the three partners agreed to go on with the formation of 13 sub-groups for particular branches of industry, and groups of industrial enterprises.

72. The high number of sub-groups and their orientation towards particular sectors shows what are the potential fields

of research in efforts to intensify industrial cooperation between India, the UAR and Yugoslavia.

1. Prospection work and exploitation of petroleum sources
2. Tractor industry
3. Shipbuilding industry and construction of marine equipment
4. Automobile industry
5. Electric manufacturing industry
6. Electronics industry
7. Chemical and pharmaceutical industry
8. Production of raw materials for the fertilizer industry, and of fertilisers
9. Other engineering industry
10. Geological and mining prospection works, engineering concerned with mines and ore improvement, land improvement projects and construction of hydraulical installations
11. Iron and steel industry
12. Textile industry and textile equipment industry
13. Leather and rubber industry.

73. The sub-groups were entrusted with the following research tasks:

- identification of the area for cooperation
- possibility for extending cooperation from bilateral framework (in cases where bilateral cooperation actually existed) to tripartite frameworks
- possibilities of organizing joint research, both in the theoretical and in the practical sphere, and of research in extractive industries
- possibilities of specialization in industry
- possibilities and modes in organizing joint utilization of industrial production processes and licensing
- possibilities of joint utilisation of know how

- possibilities of joint participation in costs for the purchase of "know how" when it is being purchased from third countries
- conditions for the successful operation of industrial cooperation ventures
- detection of obstacles hindering industrial cooperation
- possibilities of according preferential treatment to industrial cooperation among the three countries
- possibilities of promoting exports of products obtained through industrial cooperation not only in the three countries' intra trade but also to third markets
- establishment of joint norms for the quality control of products.

74. Among the sub-groups, the activities of the sub-group for cooperation in the domain of the tractor industry inspire most optimism. Within this group the possibilities for cooperation, and the possible impact of limiting factors have been duly examined, both as regards production, and the domain of State intervention. Divergencies in view between Yugoslav delegates, on the one hand, and those of India and UAR, on the other, turn around the question of the role of the State in promoting industrial cooperation. India and the UAR have placed particular emphasis on the role of State administration in securing a coordination of production plans in sectors where industrial cooperation has been introduced; they have also insisted on the role of the State in securing a just repartition of the results of work obtained in industrial cooperation, in price regulation etc. At this occasion, the UAR delegation has raised the question of profit distribution among the partners in industrial cooperation ventures, in insisting on the necessity to fix the principles and the modes of profit distri-

bution. This question has been registered as one of the most important, and as such has to be placed on the agenda of the future meetings.

75. As a result of the activities of the Working Group and of the sub-groups several documents have been issued, in the form of minutes, showing the main domains of industrial cooperation, as follows:

1. Industry of tractors, Diesel engines and spare parts
2. Production and mutual trade in TV screens and parts thereof
3. Production and trade in passenger cars, lorries, jeeps, mopeds, scooters, and parts thereof, and of products of auxiliary industries
4. Production of fertilizers
5. Production of electric equipment and parts
6. Production of marine equipment.

76. These are, at the same time, the fields in which rather intensive cooperation has been achieved within bilateral frameworks, so that these fields have been singled out as the most suitable for multilateral cooperation.

77. The delegations of the three partners have made their possible to safeguard their special interests. Thus, the Indian delegates have accorded priority to cooperation in the production of rail vehicles, while those of the UAR were mainly interested in textile raw materials, in the processing of these materials, and in the production of textile machinery. At this occasion, Yugoslavia's delegates have not marked their interest for any particular sector. A similar attitude can be attributed to the particularities in the functioning of Yugoslavia's internal economic system, which demands prior consultation of business circles before fixing the priorities in which Yugoslavia is in-

terested. According to the procedures adopted by the Working Group, the country interested in particular products or groups of products is entrusted with the tasks of analyzing the problems related to these products and of reporting on this subjects.

78. The most conspicuous result of the meeting of the working group is the increased mutual confidence between the partners.

79. As the result of discussions a series of formulations were formulated concerning industrial cooperation. Bearing in mind that this is a pioneer undertaking, it will be of some interest to consider in detail the contents of these recommendations.

80. After having reached the conclusion that the fundamentals have been posed in order to transform bilateral cooperation into multilateral, the Working Group has recommended to take into account the following elements:

- the results so far obtained in efforts towards the specialization of production in any of the three countries
- the existing and potential demand on the market of each country
- the present state of the factors of production (natural wealth, raw material, skilled and unskilled manpower, etc.)
- long-term approach in considering the conditions for industrial cooperation, in order to achieve stability in the long run, the mutual interest of the partners in promoting cooperation, and a fair repartition of earnings achieved by cooperation
- cooperation can be scientific, technical, it can be in the domains of production and in the commercial and financial domain.

81. Apart from cooperation in direct production, there may be cooperation in other fields, such as:

- exchange of data on production processes, licences and other kind of information
- organization and furthering of production
- supply of raw materials, intermediate products, spare parts
- joint sales policies and furthering of trade through joint marketing research, joint organization of follow-up services after the sale of products, so that providing of services may constitute an accompanying element of sales and of the presence on a given market
- joint participation at foreign fairs, and joint organization of advertisement
- joint investment in third countries, in order to create enterprises.

82. The Working Group for Industrial Cooperation has formulated a very realistic approach to the problem of cooperation between countries in different parts of the world, endowed with different economic structures, and different socio-economic systems. Hence, the group has not drafted a general scheme for any concrete system of industrial or economic cooperation, but has found that the most suitable form of cooperation is that leading to a more rapid industrialization of all the countries who are parties to the agreement, and capable of assuring the best possible results in the conduct of business, with risk sharing. On this basis the view has prevailed that arrangements should be made between the interested partners, first of all between firms domiciliated in countries who are parties to the tripartite agreement.

83. In view of the fact that all the three countries are endowed with a system of economic planning, the Working Group recommends modifications in national plans, based on mutual agreement, with the objective of expanding production or of curtailing capacity. Directives have been formulated recommending the adoption of measures facilitating the appearance on the markets of other member countries of the Tripartite Agreement. The production programmes of particular branches or industries, and for particular articles have been modified.

84. Owing to the fact that industrial cooperation immobilizes for longer periods the resources of participating countries, the view has prevailed that the governments of the three countries should play an active role in the realization of this process. A suggestion has been formulated to the effect that in planning tripartite industrial cooperation the governments should take account of the existing production capacities and create facilities for the sale of industrial products on the markets of other countries. Through the use of large scale production methods articles produced under a scheme of industrial cooperation should have a competitive cost structure, enabling their sale on the world markets.

85. The Working Group for Industrial Cooperation has advised the Mixed Committee to formulate suggestions to the First Group (concerned with trade preferentials) to reconsider the rules and regulations in the domain of external trade and payments, and to adapt them in a way favouring industrial and commercial cooperation between the three countries. The group should also reexamine the effects of the quota system under bilateral trade agreements, first of all for those groups of products whose trade shall be intensified because the three countries are interested in it. These are articles, and branches for which special sub-groups have been formed.

86. What has been done in New Delhi from August 21 to September 2, 1967, is but the beginning of a process, which is deemed to be continuous. Along with the first experiences in sectors where industrial cooperation has been introduced, the action is being pursued to find some other sectors suitable for cooperation.

87. Bearing in mind the fact that India, the UAR and Yugoslavia are maritime nations, shipping and transport by sea is of paramount importance for their economy and external trade. No wonder that problems connected with shipping were on the agenda of the meeting of the ministers of economic affairs of the three countries. Although the possibilities of applying a more favourable treatment in free trade zones have existed before, they were not adequately utilized, and, the ministers are willing to encourage this form of cooperation in lending support to it.

88. The Working Group for Shipping held its meeting in the Yugoslav port of Rijeka. At this occasion the Indian delegates expressed their desire for the establishment of a common shipping line, leaving aside other possibilities of cooperation in the domain of maritime traffic. The UAR delegation endorsed this project, and, in addition, insisted in favour of instituting free trade zones. The Yugoslav delegation opposed the first project concerning the establishment of a new line, advancing economic arguments. According to Yugoslav opinion, under present circumstances an additional new line could not be profitable.

89. Thus, no decision was reached concerning the setting up of a new line. The wording of the joint statement issued after the meeting shows the intention of the participants to leave this question open.

90. Divergencies in the views of the three countries as

regards cooperation in the field of shipping can be attributed to the present state of the merchant fleet in the three countries, regarding tonnage, experience in operation, business connections, and, first and foremost, to differences in the degree of state interventions on the market of the shipping space. Both in the UAR and India the state intervenes in favour of the national flag; but in the UAR intervention is rigid and exerted from one center, while in India it is more flexible. Ships sailing under the national flag enjoy protection, and the national shipping companies are heavily subsidized, whereas the Yugoslav regime has been liberalized, so that exporters and importers are absolutely free in their choice, and can utilize domestic and foreign ships. In other words, in the UAR and India state policies concerning shipping are inspired by the desire to save foreign currency, in giving priority to the national flag, while Yugoslavia has discarded these policies, and applies today purely economic criteria, that is to say that there is no recourse to administrative intervention in the choice of ships, and the authorities are not preoccupied with questions concerning the profitability of the national merchant fleet.

91. It has been found at the ministerial meeting that the next sector suitable for a closer cooperation among the three countries are the banks and the insurance business, but, in addition, the statement issued after the meeting, stresses the necessity for granting more facilities to businessmen of the three countries (less formalities in the granting of visas, and similar facilities).

92. The development of tripartite cooperation in the economic domain, and the introduction of new constitutional forms for the promotion and regulation of industrial cooperation, are still at the beginning, and it is difficult to pass a proper judgment on this subject. The new institutional forms facilitate

mutual acquaintance with the possibilities of the three countries, but the best way to get insight into the economy of the three countries are direct contacts between the officials of industries.

93. At the beginning of this chapter we have underlined the important divergencies of views among the responsible factors of the three countries at the moment of the entering into force of the tripartite agreement. Those divergencies cannot be overcome so easily, and the necessity is felt to smooth out the differences through a more flexible approach enabling the three partners to adopt joint policies concerning economic cooperation, in safeguarding the sovereignty of each country.

94. The conclusion of an Agreement on the Expansion of Trade and Economic Cooperation, and the setting up of various organs entrusted with the implementation of this agreement constitute an important success. The period during which the preferential rates were applied is too short, so that it is still not possible to pass a judgment on the results of the new institutioned arrangements.

95. The decisions formulated by the Working Group on Industrial Cooperation between India, the UAR and Yugoslavia are an encouraging step forward. Harmonization of production capacities, and adjustment of production structures constitute very complex economic problems even if adjustment is to be effected within the boundaries of a national economy. Industrial cooperation between three partners can be furthered through the integration of a third partner into a bilateral arrangement, and he will be interested in this if the existing arrangement functions well. At the second, next stage, the three partners could envisage joint planning of productive capacities in industries whose products are destined to the markets of the three countries.

96. The future development of this cooperation will largely depend on the progress achieved in mutual understanding, and the possibility to grasp the complexity and the long-term character of the interests of each partner. Cooperation should be organized in a way enabling each partner to safeguard its own interests, although in some business arrangements one partner may incur losses. But, provisions shall be made that the losses incurred in one branch of production be compensated, i.e. these losses mean renunciation in favour of the other partner in one sector, while in some other sector of production or in the production of another article, the other partner will make some sacrifices in favour of the first partner.

97. But if we consider that this is a pioneer attempt in international economic cooperation, it seems inevitable that such a venture should include some risks and require much enterprising spirit on the part of those engaged in tripartite cooperation, both in the domain of concrete arrangements between individual firms, and in the domain of inter-governmental relations.

**3 Export Credits and Other Measures Intended to
Stimulate Industrial Cooperation between Yugoslavia
and the Developing Countries**

98. Starting from the general principles of contemporary economic theory and economic policies, and, what is even more important, from its own experience in industrialization since the Second World War, the Yugoslav government, in developing economic relations with the developing countries has devoted particular attention to changes in the structure of cooperation. Today nobody puts in doubt, neither in theory nor in practice, that without shifts in the production structure - which practically means, for a large number of developing countries, progress in industrialization, one can hardly expect any improvement of their position in the world economy.

99. Inspired by the principles, she has advocated before international forums, and particularly within the framework of the UNCTAD Conference, Yugoslavia has adopted a series of special measures intended to intensify her cooperation with the developing countries.

100. Of course, export credits have not been invented by Yugoslavia. One can even say that this instrument has been adopted, at the moment Yugoslavia's industry has become sufficiently strong, to export equipment on credit, coupled with a higher level of capital formation which has enabled the allocation of a portion of current income for financing sales of industrial equipment, primarily to the developing countries.

101. In this way, the Yugoslav example confirms the general tendency towards strengthening the rôle of export credits

after the second world war, which is determined by changes in the world economy, and particularly by changes in the mechanisms of international financing. In view of the fact that the classical forms of international long-term financing (portfolio and direct investments) do not play the same rôle they used to play before, export credits fill the void, and tend to become, under present conditions, a generally accepted form of financing exports of capital goods, both from the economic and political standpoint.

102. Medium-term and long-term export credits for the sale of equipment have become the dominant form in the present-day trade in capital goods, and the terms on which credits are extended have the same importance as the prices, and have become the main element of competition on the world market of equipment. There is much ground for the belief that without medium-term and long-term credits the world market of capital goods, and the execution investment projects abroad could hardly function at all. Regardless of the form in which they are granted, namely whether they represent credits to the seller or to the buyer, the economic function of these credits is basically the same. These credits enable the sale of capital goods produced in the creditor country, and the carrying out of investment projects in the debtor country by the firms domiciliated in the creditor country. In a large number of countries export credits are granted by institutions specialized in this kind of credits, or in the insurance business. The terms on which export credits are granted largely depend on the insurance terms, particularly as regards the repayment periods of credits. From a purely institutional point of view the mechanism utilized in Yugoslavia, does not differ from similar mechanisms in other countries. Much more important is the fact that Yugoslavia, at an epoch when she was poor in investment

resources, has launched a system of credits to the developing countries. The reasons which have induced Yugoslavia to practice such a system are explained in the second chapter of this study.

103. In any case, from the moment Yugoslavia appeared on the world markets as an, albeit modest, exporter of capital goods, the necessity was felt to create a special credit mechanism for financing exports of equipment, or, to put it otherwise, to provide the Yugoslav banking and credit system with an additional mechanism whose task is to stimulate exports of industrial equipment into the developing countries.

104. Between 1959 and 1967 export credits were granted by the Yugoslav Bank for Foreign Trade, which, for some time, was the unique financial institution granting export credits for the sale of equipment, and the unique banking institution providing finance for the execution of investment projects abroad.

105. During that period Yugoslav enterprises have received credits in the total amount of 939.2 millions US dollars, and have credited their foreign partners for the sum of 654.4 million dollars, i.e. an amount equivalent to 69 percent of the amount of credits received by themselves. Up to the beginning of 1968 (January 31) the value of credits effectively utilized amounted to 453.6 million dollars (70 percent of the total).

Table 1. Structure of Export Credits Extended to Foreign Buyers of Equipment and Ships and Utilized for Investment Projects Abroad

Kind of transaction	US dollars	percentage
1. Exports of complete installations for industrial and power plants	124,644,700	19.3
2. Exports of ships	184,188,500	28.5
3. Execution of investment projects abroad	56,562,800	8.8
4. Exports of equipment	280,011,300	43.4
Total	645,407,500	100.0

(According to Statistical Data Compelled by the Yugoslav Bank for Foreign Trade - see the afore-mentioned study of A. Tafra)

106. Although these data refer to the complete amount of the above mentioned categories of goods, or to investment projects executed abroad 80 percent of the total amount of these resources are engaged in transactions with the Developing countries.

Table 2. Regional Structure of Export Credits
(Equipment, ships, and investment projects executed abroad)

Region	US dollars	
	Credits	
	Approved	Utilized
Developing countries		
Africa	146,300,000	98,308,900
Asia	341,954,600	228,316,500
Latin America	52,821,400	45,140,400
Total	541,164,200	371,765,000
Eastern European countries	43,474,400	34,728,200
Industrially developed countries	60,768,300	47,199,000
Total	645,407,300	453,693,000

Source: the same as for table 1.

107. In July 1967 the Law on the Institution of a Fund for Export Credits and Insurance of Export Deals was enacted. Although the function of the new Fund is to provide finance for all kinds of export transactions, in actual fact its task is to promote exports of manufactures, particularly exports of equipment into developing countries. In stimulating exports of equipment the Fund provides assistance to the Yugoslav

machine building and shipbuilding industries, to the electrical engineering industry, and, in a more general way, to the entire complex of metal manufacturing industries. In setting up this Fund the Yugoslav economy has received a proper instrument helping to channel economic cooperation in the desired direction, and at the same time a powerful instrument of intervention into the economic movements, in perfect harmony with the needs of the socialist market economy.

108. Instead of a system of outright subsidies from the State budget, the new institution utilizes the existing resources in a much more flexible way in lending support to arrangements in which enterprises begin to play the major role. This, at the same time, is the best method for strengthening the role of enterprises in trade transactions based on credit, and reducing the role of intergovernmental arrangements.

109. The new export credit mechanism necessitates close cooperation between the Fund and the authorized banks. The Fund starts its activities with resources allocated from the State budget, and is allowed to collect resources from other sources. In cooperation with authorized banks, i.e. in assuring their participation in credit deals, the Fund provides finance for exports of equipment, and ships, and for investment projects abroad. At the same time it covers so called political risks.

110 The Fund is a financial organization sui generis under the control of the Federal Executive Council, but at the same time it is a business venture using economic criteria. As a last resort lender the Fund performs two kinds of functions: those of a direct source of credits, and the same functions as a bank, because, in relation to other banks the Fund is the bank of the banks. The relationship between

the banks and the Fund is in fact a relationship of affairs, and a legal relationship. All the authorized banks are on an equal footing as regards their possibilities to demand credits from the Fund for their own banking operations, while the Fund makes a selection of partners on the basis of economic criteria. The Fund lends money only for credits insured against export risks.

111. As a rule, the Fund will provide credits to the banks only up to the following amount:

Table 3.

Kinds of transaction	The level of refinancing operations in percentages of the credited part of the price		Terms of repayment (years)
	1968/69	1970	
Machines and equipment for serial production	up to 65	up to 55	5
Machines and equipment for power plants	up to 70	up to 60	10
Products of shipyards	up to 70	up to 60	8
Deliveries within the framework of long-term industrial cooperation and specialization	up to 65	up to 55	5
Single machines, equipment and installations	up to 65	up to 55	8
Complete industrial and other plants	up to 70	up to 65	10
Investment projects	up to 65	up to 55	8

112. When refinancing operations are concretely defined, both as regards their volume, and the kind of transactions, insurance of export credits and of investment projects abroad, when credits to foreign buyers are extended by Yugoslav enterprises, is made within a very broad framework. In other words the Fund may also insure export credits related to consumer

goods and services performed abroad on credit.

113. The future activity of this institution is determined by the volume of resources at its disposal, and this, in turn, will depend on the general state of the Yugoslav economy and on the possibility to allocate resources for these kinds of intervention from the federal budget, but through the Fund, and also from the modalities in the conclusion of new deals between Yugoslav enterprises and their partners from the developing countries. In other words, this is likely to depend on the ratio between the credited part of a given delivery and the part which has been paid in cash.

114. This new institutional mechanism opens favourable prospects for a more intensive cooperation between Yugoslavia and the developing countries, and completes the scheme of institutions playing a role in Yugoslavia's economic relations with foreign countries.

CONCLUSIONS

115. (1) Yugoslavia's experience in economic relations with the developing countries is of relatively recent date. Having started in 1954 - in the form of trade relations, cooperation in other sectors began in 1959 (financial assistance, credits, technical assistance). After that period Yugoslavia's relations with the developing countries became more regular. The share of the developing countries in Yugoslav foreign trade has become very stable, at 12 percent of the total.
116. (2) To some extent the successful evolution of Yugoslavia's cooperation with the developing countries can be explained by the higher degree of maturity of the Yugoslav economy, and by the growing interest of the developing countries in amplifying relations with Yugoslavia. What matters even more is the close concordance of views between Yugoslavia and the developing countries on the most fundamental international issues in the economic, political, military, humanitarian, and other spheres. This concordance of views is without precedent, creating a much more favourable climate for a further expansion of mutual relations.
117. (3) Within the framework of economic cooperation with the developing countries, the Yugoslav industry has played an important role, both as a purchaser of primary products and a supplier of manufactures, first of all of equipment needed for the economic development of developing countries. On the international scene Yugoslavia's importance as an industrial country comes to the fore in the form of supplies of industrial equipment to the markets of the developing countries.

118. (4) Over many years cooperation between Yugoslavia and the developing countries in the industrial field mainly consisted in Yugoslavia's sale of manufactures on the markets of these countries.

119. (5). At the beginning of the sixties there is a growing evidence that both partners have become aware of the possibility to extend this mutual relationship from the domain of trade to the domain of production. Suggestions in that sense have been formulated at the meeting of heads of States and Governments of India, the UAR and Yugoslavia held in October 1966, in New Delhi. Further evolution in 1967 has shown a growing interest of the business communities for the realization of this idea.

120. (6). Concrete considerations concerning the possibilities for furthering industrial cooperation, coupled with the adoption of trade preferentials, in relations between India, the UAR and Yugoslavia, constitutes one of the most important tests concerning the possibilities of furthering this form of cooperation. So, the action of Yugoslavia, India and the UAR is a pioneer undertaking and the part of the study devoted to these problems illustrates the main characteristics of the processes concerned.

121. (7) When speaking of industrial cooperation, i.e. of the domain in which Yugoslavia possesses ample possibilities to develop cooperation with India and the UAR, we must underline the fact that in this case there are no standard relationships between a developed country on the one hand, and the developing countries, on the other, because none of these countries belongs to the group of developed industrial countries.

122. (8) Problems of industrial cooperation in the broadest sense of the word have particularly come to the fore in Yugoslavia's economic relations with the developing countries (other than India and the UAR) in Asia and Africa, because in relation to these countries Yugoslavia has a somewhat more developed production structure, a higher per capita income, and other elements which can be considered as parameters in assessing the level of economic development, and plays the role of a creditor country, financing exports of equipment into developing countries.
123. (9) Yugoslavia's interest in this kind of cooperation is not only in the practical affirmation of principles advocated by socialist Yugoslavia in international economic relations, but also in expanding outlets for her growing industrial production. In order to achieve this and Yugoslavia gradually develops institutional arrangements intended to stimulate her cooperation with developing countries.
124. (10) The developing countries are interested in promoting cooperation with Yugoslavia, more particularly in the industrial domain, because, regardless of the somewhat higher level of her economic development, Yugoslavia's preeminence in this field is not so large, so that they should have to fear her supremacy, resulting in economic pressures, or incur whatever other kind of similar risks. If, in addition, one considers the excellent political relations between Yugoslavia and the developing countries, there is a growing evidence of the extremely satisfactory political and psychological climate in the developing countries, favouring the development of economic relations with Yugoslavia.
125. (11) A large number of developing countries being richly endowed with raw materials needed by the Yugoslav in-

dustry, while, on the other hand, Yugoslavia's richness in skilled technicians, capable of furthering industrial development in the developing countries, both these factors contribute to the intensification of economic relations.

126. (12) At the present juncture a process is under way towards organizing industrial cooperation between the directly interested enterprises in Yugoslavia, on the one hand, and the developing countries on the other, (first of all India and the UAR). In that connection attention shall be devoted to the following parameters: larger series in industrial production rendered possible by specialization, improvement of the terms of trade, and, more efficient sales policies on the markets of other countries.

127. (13) Specialization in industrial production, and growing cooperation in the industrial domain, particularly in the form of joint sales policies on other markets, are likely to improve the competitiveness of the developing countries. There are many grounds for this assumption, if the programmes of division of labour, specialization in production and industrial cooperation in general, should have a chance of being implemented in the long run, this being coupled with a more flexible adjustment to the conditions prevailing on world market, and an adequate adaptation of partners to these arrangements. But, judging by the experience acquired so far, there are many serious reasons to fear that the economies of the developing countries are not sufficiently flexible, so that in the foreseeable future (10-15 years) there are hardly any possibilities that these countries may achieve changes for better in their export drive on the world markets.

128. (14) As far as the forms of industrial cooperation are concerned - and experience in this domain is of rather recent date - there are fairly good prospects to anticipate that cooperation, in the form of sub-contracts and joint ventures may yield much better results than specialization and vertical integration. In creating joint ventures between public enterprises, on the one hand, and private firms, on the other, difficulties of a constitutional character are quite substantial, but not insuperable. Yugoslavia's experience in creating embryonic forms of joint ventures shows that, provided that due respect be paid to the existing economic systems in the participating countries and to fair play in mutual relations, it will be possible to establish appropriate business relations.

129. (15) For any further advance of industrial cooperation, it seems of utmost importance that the programmes and plans of industrial cooperation, more particularly as far as specialization is concerned, should be integrated into the economic development programmes of the participating countries. In the opposite case, industrial cooperation and the attached activities would remain outside the main tendencies in the evolution of a national economy, or should be imposed by factors acting in the name of group interests, or by intergovernmental treaties (state obligations), instead of becoming an integral part of the economic life in the given countries. This is one of the most crucial questions in relations between India, the UAR and Yugoslavia. An integration between individual specialization programmes and other forms of industrial cooperation is likely to compel Yugoslavia to sacrifice the existence of some branches of production, in reducing investments into these branches, gradually leading to desinvestments. The need is felt that the entire economic

mechanism should adapt itself to this state of affairs in bearing the costs of such shifts in the economic structure. Of course, this can be warranted only in cases when something similar occurs in the partner countries, namely if each of them accepts to compensate the losses incurred by the other partner, in developing sectors which have been derelicted by other partners.

130. (16) In order to promote industrial cooperation Yugoslavia has begun, together with other partners, to proceed with necessary adjustments, or to make a proper selection of branches suitable for cooperation. This stage is already over. In the coming stage, there is some need for more complex steps, such as coordination of development policies, investment policies, planning of productions, harmonization of the taxation and customs system in order to harmonize conditions in production and trade. In certain other cases, so for instance when joint sales policies are planned, it would be appropriate to organize joint market research.

131. (17) The hitherto results of Yugoslavia's economic cooperation with the developing countries, show that Yugoslavia will endeavour in the future to become more active not only in her quality of supplier of industrial equipment, but also as an organizer of production, and a provider of know how.

132. (18) A similar evolution, which can be observed in Yugoslavia's relations with the developing countries, does not constitute an exception from general tendencies. Possibilities exist to make of UNIDO a clearing house for the exchange and generalization of experience in the field of industrial cooperation, more particularly among countries which have made the first steps in that direction.

133. (19) An expansion of these activities can also be the result of more intensive relations between East and West. In their quality of more developed members of the world community both the socialist and the capitalist countries have certain responsibilities of moral and economic character towards the developing countries. Through cooperation between East and West, more particularly in the domain of technical assistance for the promotion of industrial development as a whole, and particularly of exports, it is possible to achieve greater benefits than would indicate the arithmetic sum of resources allocated for this purpose, both in the East and in the West.

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