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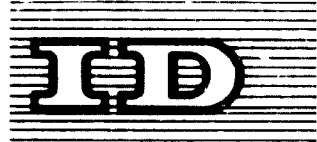
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Athens, 29 November-20 December 1967
Provisional agenda, item 3(a)

INTEGRATION, SPECIALIZATION AND CO-OPERATION
IN THE INDUSTRY OF YUGOSLAVIA

SUMMARY

by

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Submitted by the Government of Yugoslavia

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. On the basis of this paper's analysis of the concentration and integration of industrial enterprises in Yugoslavia it can be concluded that a common feature is present in both the capitalist and socialist economies. These processes appear as the consequence of a particular level of development of the sciences, technology and generally of the productive forces which demand a high degree of concentration of resources for the execution of production tasks.
2. Relative to the structure and degree of concentration in certain other countries, the structure of industrial enterprises in Yugoslavia, analysed on the basis of indicators of the size of industrial enterprises, shows a high degree of concentration. However, this high degree of concentration does not imply that the concentration has been effected in such a way that it meets the requirements of modern industrial production and optimum economic results.
3. Among the series of problems which are today the subjects of discussions in the Yugoslav economy, in its search for optimum solutions concordant with economic reform, the problem of integration of the Yugoslav economy, particularly industry, definitely represents one of the most important problems. The possibilities of achieving integration and co-ordination in Yugoslav industry involve the creation of integrated systems in the organization of unified technological processes, the combining of technological processes, and co-operation and specialization in industrial production.
4. The realization of these forms of integration involves determined economic-financial, organizational-institutional and technical-technological postulates. The economic-financial prerequisite is that there exist a particular degree of concentration of social resources, such as funds of enterprises, banks and other institutions for financing enterprises and huge-scale economic integrations. The organizational-industrial prerequisites involve priorities and various combinations of existing plants

in Yugoslav industry such as the amalgamation, incorporation, transferring of the assets of defunct enterprises and establishments, and similar actions which might be termed centralization of assets and manpower and the creation of optimum capacities with a greater economic impact.

5. The technical-technological presumptions relate to the existence and development of a social and technical division of labour by means of the specialization of production, of the working units and of the enterprises.

6. To enable the specialized enterprises to practise co-operation and achieve integration in the field of production it is necessary to achieve a high degree of standardization, classification, and unification and to establish such technical-technological conditions as will make possible a rational utilization of plant capacity in all the integrated units and their permanent co-operation in production.

7. Without specialization and co-operation it is impossible, except through large capital investments, to increase rapidly the output and productivity of existing industrial enterprises. In Yugoslav industry the process of specialization is moving not only in the direction of the production of one final product in one factory, but also in the production of parts and components of complex industrial products. This is giving rise to new industrial branches, and the technical development of industry is founded thereon.

8. In the economic system, in the economic policy, and in the middle-term development plan of Yugoslav industry (1966-1970), the paper indicates, that a great deal of attention is given to developing the process of integration, specialization and co-operation in Yugoslav industry.



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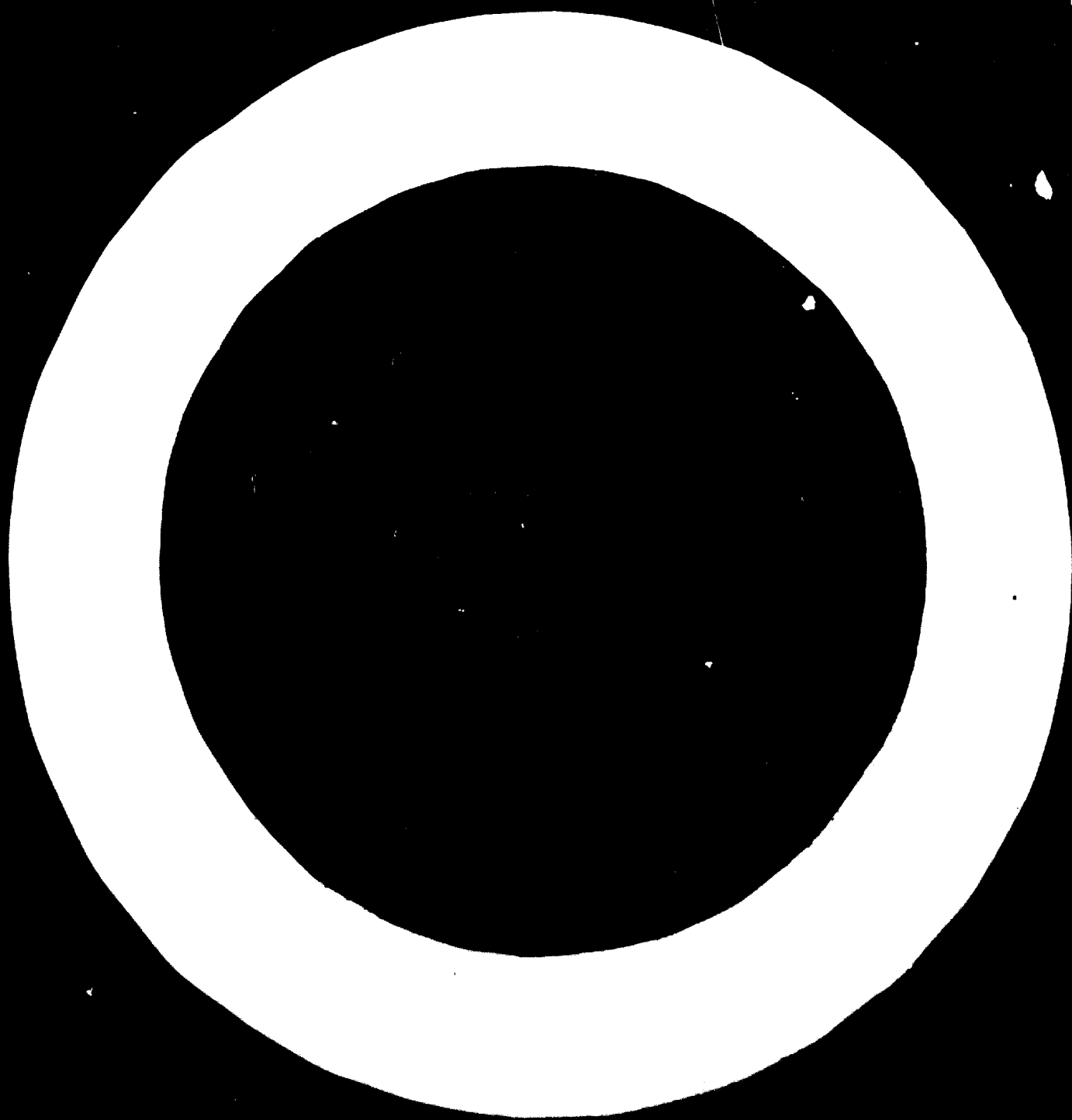
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1. Modern industrial production development is based on a high division of labour resting on specialization, typification and standardization. That specialization may proceed without hindrance it is necessary to have various forms of production, business and financial co-operation between industrial and other enterprises and banks, both on the national and the international scale. In this context division of labour in a developed industrial production takes the form of mutual co-operation of a major number of industrial enterprises in the manufacture of a more or less complex industrial product.

2. Integration between industrial enterprises within the framework of the national economies of particular countries has to be viewed as a historical category associated with the development of the production forces of society and the laws of concentration and centralization in modern goods economy. Simultaneously it is to be remembered that the social-economic system, too, communicates specific features to those legitimate phenomena in the goods economy. In the capitalist world, besides the motives for integration dictated by the modern level of technology and organization of industrial production, are also manifest the motives of elimination of mutual competition between particular enterprises and groups thereof and of gaining a monopoly on the market. In the economies of socialist countries as well it comes to concentration and centralization of resources and enterprises. However, in a majority of socialist countries changes in the size of industrial enterprises are mostly effected by decisions from the centre by way of planned long-term measures, although there also are cases of industrial enterprises integrating on their own initiative, guided by their economic interests. In Yugoslavia the initiative for integration and association is increasingly coming from the enterprises themselves. Basically the idea of such combinations is to intensify (by means of the division of labour) the process of concentration and specialization of production and introduce a superior business spirit and stimulating factors in the work of socialist enterprises.

Integration processes in different
phases of industrialization

3. Yugoslavia made a start on planned industrialization twenty years ago. In the planned building and development of its industry the country has recorded a great ascendant and important successes. It suffices to recall the fact that for years Yugoslavia had a top world rating in the growth of industrial output. However, concomitantly with such a surging industrial development it was necessary to keep solving various problems which were posing obstacles to industrialization, as to economic development in general. One such problem involved the search for the economic optimum in the organization, integration and constitution of Yugoslav industry. Only by bearing in mind that the normal economic course of concentrations in industry, and even in the economy as a whole, has also been accompanied by changes in the economic system and in the relationships between the various subjects of economic activities can we assess the whole complexity of the integration trends in the Yugoslav economy, especially in industry.
4. The development of economic integrations in Yugoslavia could be classified into three phases:

The first phase consisted in the transformation of the old capitalist economic system into a new economic system which would form the point of departure for the development of socialism in Yugoslavia. "...A progressive revolutionary statism - attended by centralization of economic management and accumulation together with depreciation, as well as by a system of prevalently natural planning - represented the strategy of development of that first revolutionary stage of socialist transformation which necessarily had to concentrate the political and material forces of society on the decisive points of the struggle for the survival and consolidation of the socialist system."^{1/} Experience has shown that strategy to have been very successful and useful for that phase of development. During the subsequent development of our society and economy negative trends were also recorded besides the positive ones and they had to be resolved and prevented by new methods and means. In this, the first phase, integration was quickened by political and administrative measures, yet to a large extent it was pursued mechanically, by putting small-scale and medium industrial enterprises (occasionally of the nature of workshops) under the same roof. Thus it came to the destruction of those "natural" technical-economic bonds that existed in the structure of Yugoslav industry until the nationalization.

^{1/} Towards Advanced Forms of Integration, by E. Kardelj. - Borba, 12 March 1967

Such forms of integration could not produce the major and permanent results which had been expected in the changed social relationships in the country. For that reason new, advanced, forms of integration were sought for Yugoslav industry.

The second phase of integration opened with the introduction of workers' self-management and a greater action of the market mechanism in the country's economy. However, it was characteristic for this phase, too, that the process of integration proceeded under the patronage of subjective political factors, because accumulation was still concentrated in the political-territorial units and the last kept trying, by new investments and by centralizing resources and enterprises on their territories, to achieve as rapid a development as possible, a development which invariably started out from industrialization. One may say that the Yugoslav economy marked a great industrial ascendant in this period.

The third phase in respect of integration begins with the economic reform of 1965. A qualitatively new method of creating favourable conditions for integration appears in transferring the responsibility for extended reproduction to the economic enterprises themselves. Thus the initiatives for integration and economic linking became an integral part of the business policy of the working collectives, while the social community was given the new function of encouraging and guiding the initiatives. The banks play a special part in the system as initiators of economically justified integrations.

5. To enable integration processes in industry to continue unhampered in future it will be necessary to make further revisions and adaptations of certain provisions of the economic system and policy so that they will not impede the natural course of integrations. Likewise the enterprises, themselves, will have to do more for their internal consolidation (the organization and status of their departments), so that they are properly set to enter into integration combinations. That holds particularly for amalgamated enterprises and the various forms of complex systems in the economy.

6. That gives the basic features of the social conditions the Yugoslav economic system has afforded to enterprises for integration in different stages of the country's development since the last war. Next, it is proposed to analyse concentrations in the economy and industry with special reference to the last few years when concentration and integration has proceeded under the influence of a freer action of economic laws of the market and a greater independence of

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enterprises or working collectives in deciding on their business policy and, consequently, on linking and integration.

The process of concentration of industrial production

7. The process of concentration of production represents a legitimate phenomenon in the present stage of economic and social development. The size of enterprises constitutes one of the elements indicative of the legitimacy and degree of integration in the economy or industry. In economic statistics the size of enterprises can be expressed in terms of (a) the number of employees; (b) the value of fixed assets; (c) the amount of the gross product or turnover; and so on. Taking the number of employees and the ratio of the value of fixed assets to the number of enterprises, the position in the last eight years has been as shown in Table 1 below.

Table 1

Central survey of industrial enterprises^{2/}

	<u>Number of enterprises</u>	<u>Number of employees</u> thousands	<u>Fixed assets</u> million dinars
1958	2,710	929	1,861
1959	2,557	991	2,094
1960	2,556	1,072	2,352
1961	2,787	1,128	2,687
1962	2,684	1,165	3,514
1963	2,507	1,222	2,909
1964	2,445	1,319	4,378
1965	2,354 ^{3/}	1,378	-

^{2/} Statistical Yearbook of the Socialist Federal Republic of Yugoslavia, 1966, p.162-164.

^{3/} Figures for 1965 were calculated on the basis of the working Document No. 47/53 of the Federal Statistical Institute.

The above figures clearly reflect a decreasing trend in the number of industrial enterprises and an increase in the number of employees and the value of fixed assets in industry. Between 1958 and 1965 the number of these enterprises fell by 356. At the same time, the number of employees rose by 449,000 and the value of fixed assets by 2,517,000 million dinars. These figures, then, indicate a very quick rate of concentration of production and growth of Yugoslav industrial enterprises.

8. As said before, the number of employees per enterprise also provides an indication of the size of an enterprise or the degree of concentration of production. The tabulation below gives the average number of employed persons per industrial enterprise in different years.

Table 2

Average number of employed per industrial
enterprise^{4/}

	<u>1938</u>	<u>1954</u>	<u>1958</u>	<u>1960</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Number of employed	70	230	320	423	470	540	585

Comparing the figures for 1938 and 1965, it is found that the average number of employed persons per enterprise in the latter year was 8.5 times that registered in prewar. Turning to the post-war period, it is seen that over the ten-year period 1954-64 there was a 2.5-fold increase in the average number of employees per industrial enterprise. When it is remembered that the technical equipment of industrial enterprises also experienced an improvement (as clearly follows from the increased value of fixed assets shown in Table 1, as well as that the qualifications of the personnel rose to a higher level, we can conclude that the process of concentration in the post-war development of the country has been of a high order.

^{4/} Yugoslav Economics, by Dr. Dimitrije Misic. 3rd revised edition. Published by Savremena Administracija, Belgrade, 1965. Figures for 1964 and 1965 were calculated on the basis of data of the Federal Statistical Institute.

9. To be able to assess the degree of concentration and integration in Yugoslav industry, it is also necessary to view the position in this country in the light of that found in other countries. Table 3, below, illustrates the ratios.

Table 3
Comparative survey of concentration in industry^{5/}
 (Percentages)

	<u>Structure by number of enterprises</u>		<u>Structure by number of employed persons</u>		<u>Structure by volume of production</u>	
	<u>10 to 100 employees</u>	<u>Over 100 employees</u>	<u>10 to 100 employees</u>	<u>Over 100 employees</u>	<u>10 to 100 employees</u>	<u>Over 100 employees</u>
United States	92.7	7.3	-	-	-	-
Japan	92.1	7.9	-	-	31.1	68.9
Great Britain	72.6	27.4	20.1	79.9	-	-
Federal Republic of Germany	92.1	7.9	30.6	69.4	-	-
France	84.4	15.6	31.2	68.8	22.7	77.3
USSR	63.6	36.4	13.1	86.9	15.0	85.0
Yugoslavia (industry and crafts)	52.3	47.7	9.2	90.8	7.1	92.9

Before considering the ratios of the degree of concentration in Yugoslav industry and that of other countries it is to be noted that the figures for Yugoslavia, as those for a majority of other countries, cover both industry and craft enterprises and workshops. Even though the inclusion of craft enterprises and workshops reduces the degree of concentration in industry, the degree of concentration is

^{5/} An Analysis of the Structure of Industry by Size of Enterprises, by Dr. M. Tausanovic. - Produktivnost. No. 5, 1967. - Figures for U.S.A. relate to all economic enterprises, separate figures for industry being unavailable. - Classification of enterprises into two groups (from 10 to 100 employees and over 100 employees respectively) has been obtained by rounding off the existing figures since all national statistics employ a different classification by the number of employees.

still seen from the above table to be the highest in Yugoslavia.^{6/} A degree of concentration approximating that found in Yugoslavia occurs in the case of USSR. In other countries the degree of concentration lags behind Yugoslavia and USSR. Hence yet another conclusion - that the socialist economy as such influences a high degree of concentration in industry. Of course, in highly industrialized countries like U.S.A., the Federal Republic of Germany, Great Britain, France, and Japan there exist giant enterprises some of which are twenty and more times larger than the largest Yugoslav enterprises, yet at the same time there are also huge numbers of small-scale or petty industrial and craft enterprises.

Integration of industrial enterprises
by amalgamation and association

10. In the last three or four years the process of growth of the optimum size of enterprises by way of fusions and the creation of integrated enterprises has assumed large proportions. However concentration of enterprises had been going on also before, being attended by the concentration of supply on the Yugoslav market for industrial and mining products as a result. According to certain data, the degree of concentration of supply is very high. Of the 103 market groupings analysed only 25 included 4 producers or less. In 56 groupings the four largest producers accounted for over 75 per cent of the total supply of products in their grouping. Such highly concentrated groupings cover 15 per cent of industrial enterprises which employ about 27 per cent of the workers and account for 36 per cent of the total net products of all the 113 groupings analysed.^{7/}

^{6/} The number of craft enterprises and workshops in Yugoslavia in 1964:

	<u>Number of units</u>	<u>Employees</u>
Social sector	3,017	188,336
Privately owned craft shops (employing up to 5 persons)	118,972	27,073 (not including the owners)
Total	121,988	215,409

^{7/} Problems of Economic Concentration. - Institute of Economics, Zagreb, 1964, p.73.

11. In some industrial groupings the process of concentration is still fairly marked while in others it is almost imperceptible. In most cases it is a question of fusions of enterprises. Thus, for example, recently 47 smaller-scale enterprises were involved in mergers and association schemes. A certain number of collieries, producing lignite and hard coal, were also fused, and the same has been the case among glass and refractory factories. Fusions have been recorded of electrical engineering firms, and particularly in the electronic industry, in which fairly large enterprises have been created commensurate to the development and experience of the factories. Still other fusions have been those in the textile, wood working and other branches. One should particularly underline the importance of the integration of industrial and agricultural enterprises to establish integrated agricultural-industrial enterprises.^{8/}

12. The process of augmentation of enterprises by amalgamation and association is in progress in the whole Yugoslav economy and not only in industry. The following shows the evolution of the integration and centralization process by amalgamation and association of enterprises during the seven-year period 1959-65:^{9/}

Table 4

The amalgamation and affiliation of enterprises

1959-1965

(Totals for the economy as a whole)*

	<u>Number of enterprises</u>	<u>Index numbers</u>	<u>Amalgamated and associated enterprises</u>	
			<u>Number</u>	<u>% of total number</u>
1959	25,015	100.0	-	-
1960	23,268	90.3	2,309	9.9
1961	21,945	87.6	1,858	8.5
1962	18,635	74.4	1,489	8.0
1963	17,500 ^{10/}	70.0	1,204	6.8
1964	16,395	65.6	833	5.1
1965	15,359	61.4	682	4.4

*Not including craft and communal enterprises and shops.

^{8/} The best examples of such integrations: the Industrial-agricultural Organization, Osijek; the Organization "Servo Mihalj," Zrenjanin; the Agrokombinat, Ljubljana; the Agricultural-industrial Organization Belje, etc.

^{9/} Working Document No. 47/53, of 7 December 1966, of the Federal Statistical Off.

^{10/} Estimate

As the table indicates, the number of enterprises decreased from 25,015 in 1959 to 15,359 in 1965. However, integrations were most numerous in 1960, following which there was a decrease through 1965. In 1960 the number of integrations reached 9.9 per cent of the total number of enterprises and the comparable figure in 1965 was 4.4 per cent. The process of enlargement of enterprises continued into 1966 and the first months of 1967.

13. It is also interesting to review the integrations according to the types of activity of the enterprises involved. The tabulation below gives the relevant details.^{11/}

Table 5
Amalgamations and associations of enterprises,
by activity of the enterprises
(In percentages of the total)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1964</u>
Industry	3.1	3.4	3.8	4.8
Agriculture	14.7	17.1	8.9	7.6
Trade and catering	12.4	7.5	14.1	6.1
Arts and crafts	5.9	5.2	7.8	2.8
Other activities	6.5	5.3	2.3	3.1

The above figures indicate that the rate of integration has been steadiest in industry, including also a constant upward trend. In other activities the percentage of integrations has been considerably higher, but it has been subject to great fluctuations. Overall, the process of integration in industry by amalgamation and association has not been unlike that recorded in other activities, the fact being largely expressive of the need to maintain determined structural and inter-branch ratios.

14. We can take some examples from 1965 to illustrate certain characteristics which have surrounded these integrations of enterprises.

15. First, we could say that a great many of the integrations involve small-scale enterprises and that the number of integrations decreases as the size of

^{11/} Working Document No. 47/53, of 7 December 1966, of the Federal Statistical Office.

enterprises grows bigger, as witness the tabulation below.^{12/}

Table 6

Enterprises amalgamated and associated in 1965
by number of employees

<u>Number of employees</u>	<u>Enterprises</u>	
	Number	%
Up to 10	117	26.0
11 to 25	147	21.5
26 to 50	139	20.4
51 to 125	117	17.2
126 to 250	50	7.3
251 to 500	34	5.0
501 to 1,000	13	1.9
1,001 and more	<u>5</u>	<u>0.7</u>
Total	682	100.0

As this survey shows, of the 682 enterprises which became merged or associated in 1965, 463, or 68 per cent, were those with up to 50 employed persons. Only 24.5 per cent of the total involved medium enterprises (with from 51 to 250 employees), while enterprises with over 250 employees which were integrated numbered altogether 7.6 per cent. In other words, it is primarily tiny or small-size economic organizations that have operated integrations.

16. Second, we would indicate as a characteristic that mainly closely related enterprises, those belonging to the same group or branch, have integrated, as illustrated by the following table.^{13/}

^{12/} Working Document No. 47/53, 7 December 1966, of the Federal Statistical Institute

^{13/} Ibid.

Table 7
Enterprises amalgamated and associated in 1965
by activity

Activity of integrated enterprises	<u>Total</u>	
	Number	%
Same group	286	42.0
Same branch	174	25.5
Same type	69	10.1
Different type	153	22.4

Thus, 67.5 per cent of the amalgamations and associations were effected in the same group or branch; in 10.1 per cent of the cases the enterprises were of the same type; and only in 22.4 per cent of the cases were they of a different type.

14. Third, characteristically enough, integrations have mainly taken place between enterprises situated in the same commune, involving in most cases the combining of weaker and smaller enterprises with larger and financially stronger ones. The following gives the integrations registered in 1965 according to territory.^{14/}

Table 8
Enterprises amalgamated and associated in 1965.
by territory

<u>Territory of</u> <u>integrations registered</u>	<u>Total</u>	
	Number	%
In the same commune	535	81.5
In an adjacent commune	55	8.1
In the same district	17	2.5
In the same republic	49	7.2
In another republic	8	1.2
Total	682	100.0

^{14/} Working Document No. 47/53, 7 December 1966, of the Federal Statistical Institute

As these figures indicate, 81.5 per cent of all the integrations effected in 1965 were between enterprises located in the same commune and only 1.2 per cent between enterprises from different republics. It is characteristic, though, that recently the economic reform has influenced a process of very lively inter-republican integrations, especially in certain industrial branches, but classified data are not yet available on the subject.

Business associations as a form of
integration of industrial enterprises

15. This form of integration in the Yugoslav economy became provided for by legislation as far back as 1954 but business associations began to be formed only in 1958. By the beginning of 1959 there were 22 business associations, which compares with about 290 at the beginning of 1967. Each association has about a dozen members. In Yugoslavia today there is not one grouping but that it is not wholly or partly affiliated with a business association. Thus, for example, practically all metal working enterprises (318) belong to business associations, in addition the same associations affiliate 142 enterprises from other groupings. In the Socialist Republic of Serbia there are 109 business associations with about 3,200 members, including about 700 from other Yugoslav republics. Not infrequently an enterprise is affiliated with five or six different business associations. Actually, an enterprise is free to join any one of the existing business associations, depending on its economic interests; hence, it may establish links in various directions and along different business lines.

16. The activities which provide a basis for association are diversified. As to which business association an enterprise will join depends on a number of circumstances and specifics of the groupings and branches. The most frequent motives for business association in Yugoslav industry involve -

- a) Joint production of particular articles (co-production) and joint marketing thereof;
- b) Co-ordination of production programmes, assortments and the quality of the products (co-operation in production);
- c) Joint purchase and exploitation of licences;
- d) Joint sale of goods to complete the assortments of goods and equipment;
- e) Joint purchases of raw material and supplies;
- f) Joint imports and exports of goods;

- g) Joint provision of particular economic services (forwarding and transportation of goods and the like);
- h) Joint execution of designing work, construction projects, assembly and repair work, explorations and research, and construction work; and
- i) Joint exploitation of plant and equipment.

17. The business associations, as the basic form of integration, have marked considerable achievements in their work, especially so over the last two or three years when many of them have passed from commercial co-operation to co-operation in production (co-operation, the organization of technological processes, scientific-research work in the sphere of production and construction, etc.).

18. A positive example in the sphere of processing industries is provided by electronic firms which are concentrating intensively on specialization in production.

19. A series of business associations participate in joint operations not only in the country, but also abroad. It mostly is a question of large industrial groups for the export and erection of complete industrial plants. Recently the concerned business associations have increasingly concentrated on specialization, which is bound to enhance their success and that of their members.

20. Many enterprises begin by effecting lower-stage integrations, followed by gradually increasing mutual links and complete integration. For example, lead and zinc producers had been dealing with their joint problems through a co-ordinating board, and now the last is being made into a business association. The same holds for copper producers. Besides, occasionally it is sought to convert an existing business association into an associated enterprise.

Associated enterprises as a form of integration

21. This is a new form of economic integration in Yugoslav economy, including industry, and has been adopted to provide more scope for integration. Previously enterprises were integrated simply by fusion, thereby relinquishing their independence, or else by business association, mostly based on contracts involving specified deals. As a result of such relationships it often came to the disintegration of integrated enterprises, and in part it was by reason of such

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phenomena that a possibility was provided to form associated enterprises.^{15/}
Thus, an associated enterprise represents a qualitatively new form in the integration processes of the Yugoslav economy, primarily in industry.

22. To qualify for the status of an associated enterprise an enterprise has to provide in its statute that all the organizational units constituting it shall be independent in acquiring and distributing their income, as well as in making dispositions of the funds built from their net income. This regulation prevents the limitation of the fundamental self-management rights of the working communities (collectives) of the organizational units forming an associated enterprise.

23. In view of all the foregoing as regards integration and its forms in Yugoslav industry, we may conclude that - since an enterprise's association or other form of integration represents an autonomous act (decision) of the workers' self-management body guided by the economic interests of the enterprise - the process of integration in the Yugoslav economy does not take place abruptly and by a unified decision of the State authorities, but involves a gradual process of creating unity between the raw material base and industrial processing, between a finishing enterprise and its suppliers, between industrial enterprises and those of a different type. The whole marked by various forms of economic integration with business associations dominating, at least for now, as the most widespread form of integration.

Specialization of industrial enterprises by virtue
of integration and division of labour

24. The integrations which were effected in the initial phase of the country's development after the last war did not particularly contribute for the introduction of specialized production. Only with the appearance of integrations and associations of enterprises on an economic basis did it come to a fuller division of labour between the combined enterprises - to specialization.

25. However, one condition for quickened and unhindered specialization of integrated enterprises is mass production and standardization and typification

^{15/} In 1965 were registered six cases of separation and 53 of secession of working units to form independent enterprises, a half of them in industry.

of particular components or details. As shown by the cited data on the growth and concentration of industrial production in Yugoslavia, the first condition has already been fulfilled in a considerable part of production and will be increasingly realized in future.

26. Standardization, which affords the possibility for mass production both of components and finished products, as well as for a major number of producer enterprises to take part in the manufacture of a complex product, is already fairly developed in Yugoslavia. Of course, the adoption of standardization is conditioned by the existence of a particular degree of concentration of production, by specialization and mass and serial production, and standardization develops in proportion to the extent of these processes. In Yugoslavia standardization is the responsibility of a special Government institution and different association of enterprises and individual large enterprises are likewise concerned in standardization.

Co-operation between industrial enterprises
by virtue of division of labour

27. A logical consequence of the effected specialization, particularly of the so-called detailed specialization, has been direct co-operation between industrial enterprises. Until recently co-operation between Yugoslav industrial enterprises was poorly developed. In the present stage of development, though, co-operation represents one of the basic tasks confronting industrial enterprises, being an essential condition of their continued development. The problem of co-operation is a particularly topical one for metal processing enterprises, primarily those devoted to machine building and electronics. But the matter does not narrow down only to co-operation between domestic enterprises. Actually, there is an increasing need for direct co-operation with foreign enterprises. Contracts providing for such co-operation with a great many foreign firms have already been signed by many Yugoslav enterprises. There is a considerably developed co-operation between Yugoslav manufacturers of complex products - machines and industrial and other plant, tractors, automobiles, ships, locomotives, wagons, electrical household appliances, electronic apparatus and other - and a major number of manufacturers of those products or their components also co-operate with corresponding firms abroad.

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28. Co-operation between industrial enterprises is carried on in:

- (a) Manufacture of semi-finished products;
- (b) Provision of production services;
- (c) Manufacture of specific components for end products; and
- (d) Manufacture of standard components intended as reproduction material.

In the first two cases, the co-operating enterprises are in direct contact, i.e. they have to work according to a unified technical documentation. In the third case, contacts are less close. And in the fourth case, there do not necessarily have to be direct contacts between the co-operating enterprises, but the products or semifinished articles of the one can be sold to the other through the trade too. All the listed forms of co-operation are practised in Yugoslavia.

29. That co-operation between industrial enterprises may continue to develop favourably it is necessary to advance the organization of industry and promote the appropriate institutional bases in the economic system, as well as to take certain steps to speed the development of co-operation.

30. As for the problems of internal organization that have to be solved in order to stimulate co-operation, we can particularly emphasize the need for a larger-scale formation of internal working units in enterprises and for strengthening their autonomy and self-management. Such a status of the units would afford possibilities to the enterprises for superior assessments and more reliable conclusions regarding the profitability of specialization or co-operation under particular circumstances.

31. It is also pertinent to highlight the following conditions in connection with the relationships between enterprises and industry as a whole.

32. First, it is essential that the production ties between enterprises be stabilized by way of association and long-term contracts. In the past, namely, old production and business ties have often been severed and new ones established, and the practice has not been contributive to the development of co-operation.

33. Second, it is necessary to develop the structure of industrial enterprises according to the size or volume of operations, so as to have an optimum structure as regards the representation of small, medium and large enterprises. In the

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past the structure has often been marred in that also small enterprises which could very successfully carry on a specialized production were integrated.

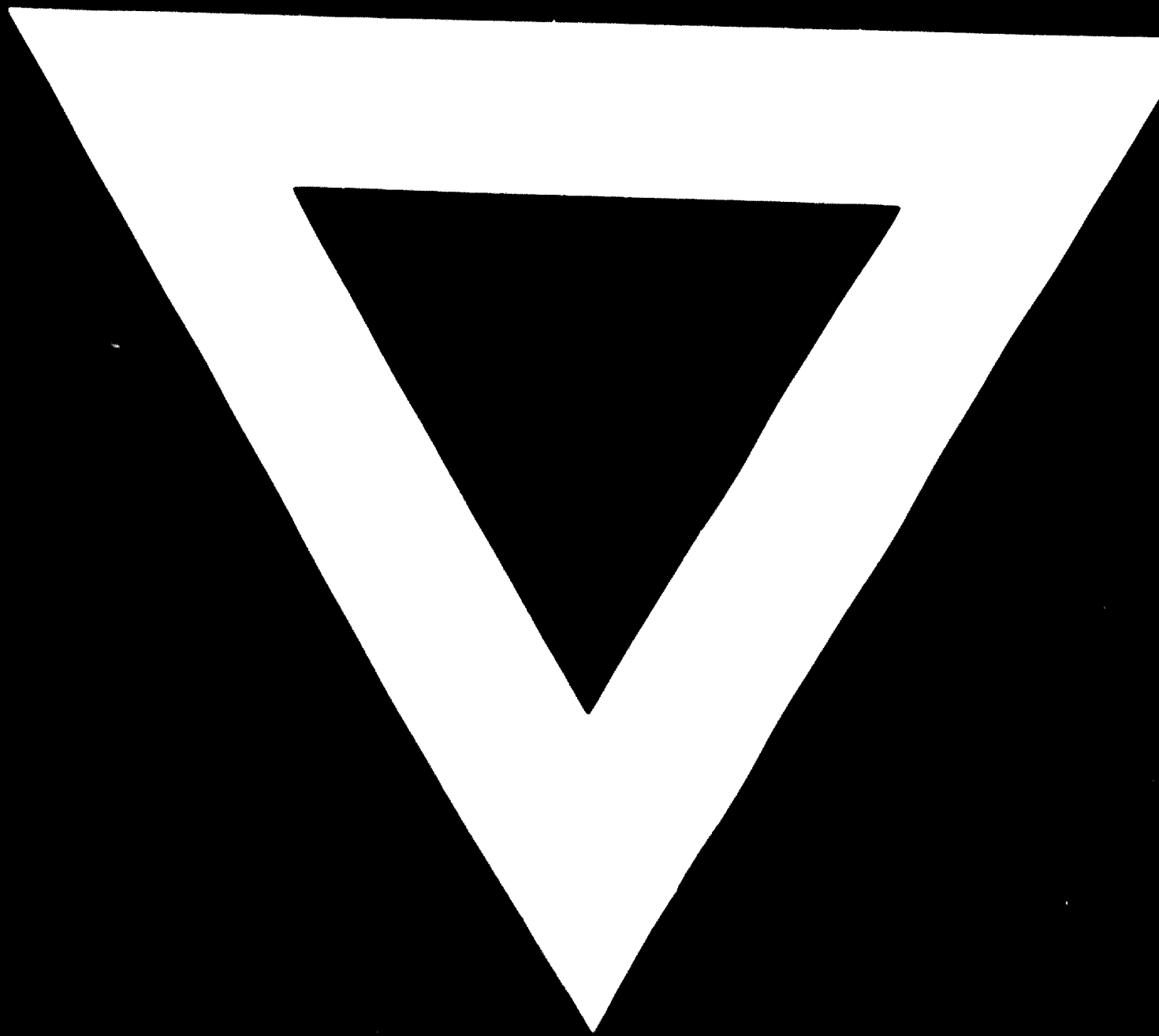
34. Third, as mentioned before, one of the important conditions for successful co-operation is represented by standardization of production and components. A great deal has already been done in that respect in Yugoslav industry, but there remains to do a good deal more.

35. Besides the enumerated conditions and problems that stem from the relationships of particular enterprises and industry as a whole, one should recall that economic policy and the economic system can also constitute very significant factors in encouraging or discouraging co-operation. For example, the price policy, the tax policy, the credit system, the payments system, etc., can play an important part in speeding or retarding co-operation. Consequently, for an unhampered co-operation those relationships, also have to be adapted to the requirements of the furtherance of co-operation and other forms of integration.

36. In this context, in Yugoslav practices special attention is given to the function of banks and the credit system, which should facilitate and promote more direct links in production by an appropriate circulation and combining of business means. Besides, the attained level of development has indicated the need for the establishment of production-financial co-operation also with foreign enterprises and for a larger inclusion of Yugoslav industry in the international division of labour. In this connection, preparations are under way to provide the appropriate institutional bases; consequently, integration processes may be expected to be given fresh incentives on such lines in the near future.

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