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**ID**

United Nations Industrial Development Organization

Distr.
GENERAL

ID/CONF.1/G.27*
3 July 1967

ENGLISH ONLY

INTERNATIONAL SYMPOSIUM ON INDUSTRIAL DEVELOPMENT
Athens, 29 November-20 December 1967
Provisional agenda, Item 3(b)

YUGOSLAVL'S INDUSTRIALIZATION AND THE DEVELOPMENT OF HER
UNDER-DEVELOPED REGIONS

By

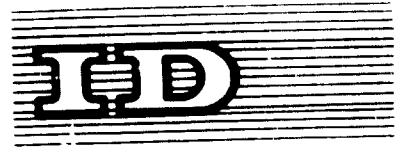
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Submitted by the Government of Yugoslavia

D 01813

* A summary of this paper has been issued under the same title as document
ID/CONF.1/G.27 SUMMARY, in English, French, Spanish and Russian.

67-15939



Distr.
GENERAL

ID/CONF.1/G.27 SUMMARY
22 June 1967

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

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YUGOSLAVIA'S INDUSTRIALIZATION AND THE DEVELOPMENT OF HER
UNDERDEVELOPED REGIONS

SUMMARY

by Branko Colanovic
Director of the Economic Bank of the Socialist Republic of Serbia, Belgrade

Submitted by the Government of Yugoslavia

1. Since the last war industrialization has represented the basic direction and method of Yugoslavia's economic development in general and the quickened development of her under-developed regions in particular. Thanks to such a policy, in 1964 the industry of the under-developed regions, which now accounts for 40 per cent of the total area and 34 per cent of the total population of the country, was able to realize a social product in excess of that realized by the industry of the whole country in 1952.

2. Until recently the central social intervention in favour of the under-developed regions was characterized by direct allocations of financial means for the construction of new economic projects and the promotion of the institutions of social services (schools, hospitals and other). Now it is increasingly sought, to supplement the means which are allocated from the centre, to provide credits to the economically under-developed regions on favourable terms by stimulating a spontaneous economic flow of capital from the better-developed to the under-developed regions. In this context the Federal authorities have granted certain privileges to the enterprises and banks from the developed parts of the country which place their means in the under-developed parts. However, the principal instrument of the central intervention for speeding the development of the under-developed regions is still the special Federal Fund for credits towards the economic development of such regions.

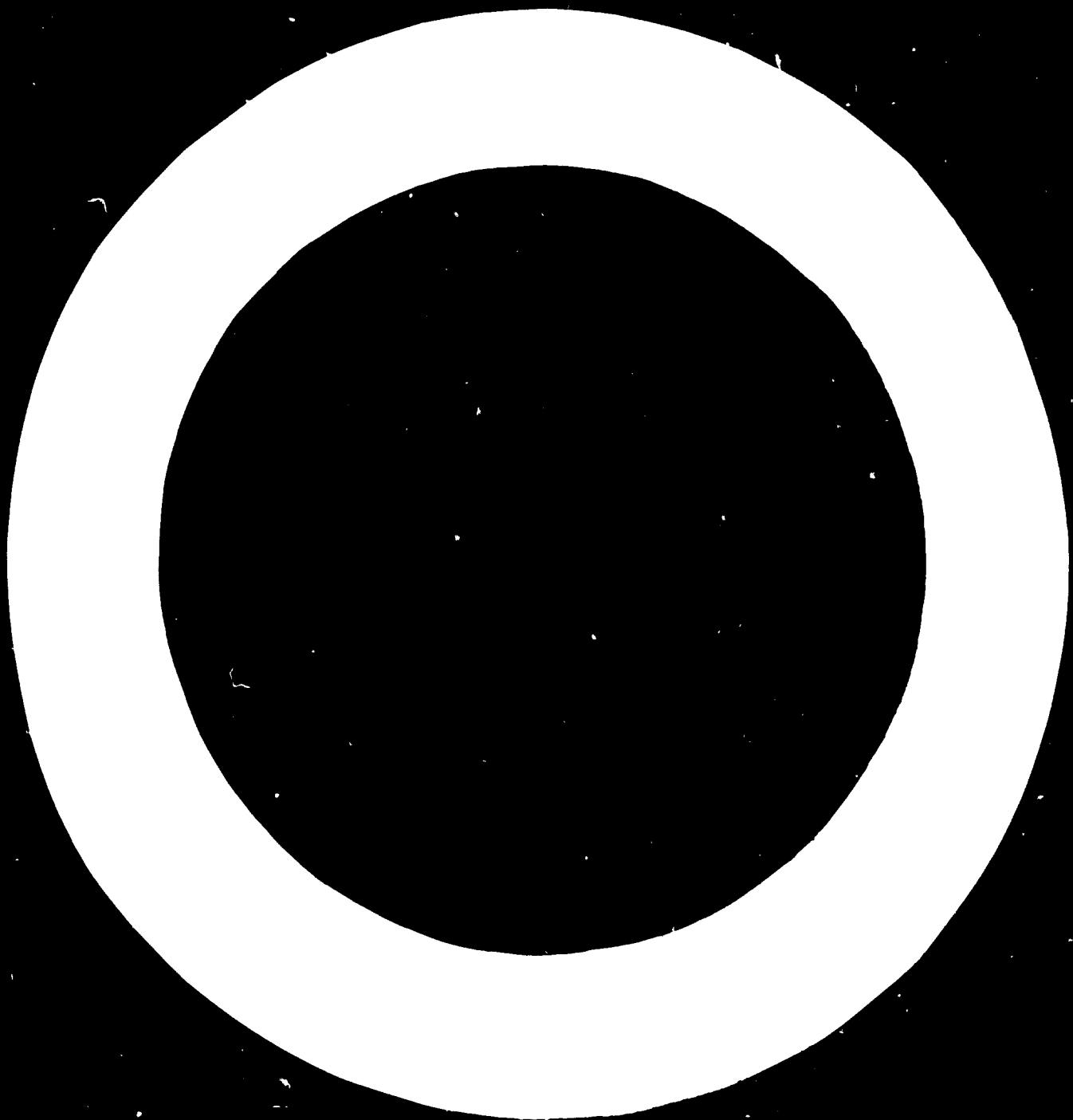
3. Conspicuous results have been noted to date in the development and economic emancipation of the under-developed regions. The basic feature is that the inherited semi-natural character of their economy has changed at a quickened rate, attended by a rapid social-economic transformation of the population, by intensifying urbanization and by a strong increase in employment. Industrial development of the regions has played a crucial part in these processes. By virtue of their industrialization the national income of the under-developed regions in 1964 was about three times that of their 1947 level, their national income per caput was 40 per cent higher than that of the developed regions in 1947, and 5 per cent higher than the latter's figure in 1956.

4. While industrialization has unquestionably proved itself to be the main force of stepped-up development, certain problems remain and their radical solution is still outstanding. In this context, in the period ahead it will be necessary to ensure also a quickened agricultural development in the under-developed regions, as well as to promote a whole complex of economic services, a fuller and better utilization of the already built industrial plants, specialization and co-operation between the industrially under-developed and the industrially better-developed regions, and to establish a fuller harmony between the existing industrial plants, the infrastructure, and the absorptive power of the market.
5. The base for the further rapid development of the under-developed regions, which development will continue to rest, primarily, on industrialization, is constituted by their very important resources of certain natural raw materials (coal, iron ore, lead and zinc, bauxite, timber, and water power) and by their large latent manpower reserves. These natural factors can be used to great advantage in the already built production plants, given that over the last decade the under-developed regions have increased their fixed assets four-fold in the social sector of the economy and five-fold in industry.
6. The social plan of economic development of Yugoslavia for the 1966-70 period provides for a rate of growth of production in the under-developed regions of at least 2 per cent higher than the average for the country's economy as a whole, which should bring about for these regions a growth of between 7.5 and 8.5 per cent annually. In the 1966-70 period investments in the basic assets of the economy in the under-developed regions should reach about 30,000 million new dinars, including 5,000 to 5,500 millions from the investment and budgetary allocations of the Federation and about 8,000 millions from the special Federal Fund for financing the economic development of the under-developed regions and their larger inclusion in the world economy. The resources of this Fund are obtained from a 2 per cent allocation from the

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national income of the social economy of Yugoslavia for 1966-70.

7. These prospects should be realized because of the economic reforms initiated in Yugoslavia in the middle of 1965 which should ensure a quicker growth of productivity and the strengthening of the material base of self-management in the economy. Within this whole programme the under-developed regions are accorded a highly important place.



An important objective of accelerated industrialization which is the most characteristic economic policy measure in the post-war development of Yugoslavia, is the overcoming of backwardness in some very extended areas, accounting for one third of the total population of Yugoslavia, and about two thirds of her total area. In fact the big differences in the degree of social and economic development among the different parts of the country are a historical heritage, and constitute in fact a very serious problem whose solution, according to objective criteria, should have been initiated since the very moment when Yugoslavia was created, namely since 1918. A highly regrettable fact is that economic policies of the interwar period entirely neglected this necessity, so that the gap between different provinces grew even larger.

As a major propellant force in the process of accelerated development of the Yugoslav economy, the Yugoslav industry achieved a very rapid advance during the postwar years. By 1966 the volume of its production was 7.8 times higher than in 1939, its structure much more diversified and the value of its basic assets several times higher. At the same time, industrial development spread to many other provinces, many important industrial centres were created, while in backward regions the process of accelerated growth was initiated in 1957.

What factor is responsible for the fact that industrialization has become the fundamental force of the postwar emancipation process in Yugoslavia, and what are its links with the problem of backward areas?

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.

Prior to the war, Yugoslavia, as a backward agricultural country with a per capita income which has been estimated at 180 dollars, (calculated after the present value of the dollar) ranged among the underdeveloped countries, and by present standards, it was a country with semi-colonial status. Producing mainly raw materials and semi-manufactures, the Yugoslav industry's output accounted for 20 percent of the global national income. Its strength can be judged by the fact that the per capita output of electric power was 70 kWh, and that of steel 15 kg. About 50 percent of the capital invested in industry and mining belonged to foreigners. While in the developed western countries labour productivity was at a level permitting that 20 percent of agricultural population produce enough food for the entire population, in Yugoslavia the share of agricultural population in the total was about 73 percent. Yugoslav villages ignored electricity and leather footwear, let alone fertilizers and tractors.

After the war, in order to create an entirely new and progressive social structure, based on the well being of the working people, Yugoslavia had to initiate accelerated industrialization. It is only within the general framework of industrialization policies that we may situate the place held by policies intended to promote the development of backward areas. In fact, in order to be fully successful, the policy of economic expansion had to be extended over much broader areas. This conception found its place in the first Five Year Plan. During the 1947-1951 period instances were made to disperse the location of industries all over the country, according to a rational scheme. Even more, efforts to implement this complex task were partially initiated during the early post-war years of industrial rehabilitation, in order to create larger production units instead of the inherited structure of tiny enterprises, so as to be able to eliminate bottlenecks in production, and to achieve a more rational grouping of personnel and installations.

At the same time, it is possible to notice a high degree of interdependence between the upswing of the Yugoslav economy as

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a whole, and accelerated industrialization of backward areas. From the very beginning, one of the main economic policy objectives was to promote the accelerated development of backward areas, in order to take care of their particular interests, and of the general interests of the Yugoslav economy. Among the considerations that have motivated these policies, we may cite the low share of manufacturing in the economic structure of backward areas, and the tremendous importance of some of their national resources and other production factors for the further development of the Yugoslav industry. This refers in the first place to energy sources, but also to mining and forest resources, to available manpower, and to the potentially high absorptive capacity of new markets which will be created in the formerly backward areas.

In this context we may draw the attention of the reader upon a specific trait of Yugoslav development policies relating to backward areas. This is the multinational character of the country, which gives the problem some additional aspects from the economic, political, conceptual, organizational and methodological viewpoint.

II

The general objective to eliminate economic backwardness within a short time, and to promote Yugoslavia's international standing in making from her a semi-industrialized country, conferred upon the Yugoslav economy five major tasks. The first refers to the increase and diversification of production; the second involves the modification of the social and economic structure of the population; the third refers to the creation of preconditions for the parallel growth of economic sectors outside manufacturing - agriculture, transportation and building industry; the fourth aims at the elimination of imbalances in external payments, and, finally, the fifth, aims to promote the accelerated development of wide backward areas. The conspicuous results which so far have been achieved in this respect - exposed further in the text

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- are but a stage in the general evolution of the Yugoslav industrialization process. Industrial expansion is still in full swing, and the factors that are likely to stimulate this expansion in the future are still very powerful.

Owing to destructions caused by the war, the postwar development of the Yugoslav industry had to start from a much lower level than that recorded at the end of the interwar period. In 1946, the global volume of industrial production was 21 percent less than in 1939. But, thanks to the extraordinary efforts made for the rehabilitation of industry and largely owing to the fact that industrial capacities inherited from prewar Yugoslavia were utilized by that time only in the proportion of 63 to 65 percent, there were important hidden reserves, so that the production level of 1939 was attained and even surpassed in 1947.

The twenty year period from 1947 to 1966 is characterized by a very powerful upswing of the Yugoslav industry. In this context we shall confine ourselves to cite but a few results obtained in the expansion of industrial production, which present some interest from the aspect of the accelerated growth of backward areas.

As regards the global rate of growth, the upswing of the Yugoslav industry is doubtlessly an interesting phenomenon. There are but a few countries in the world where a similar tempo of industrial growth has been recorded over such a long period of time. If we take 1939 as the base year, the physical volume of industrial production was 7.8 times higher in 1966, and only a relatively small number of countries throughout the world can boast to have attained a higher growth rate, whereas numerous countries with an expanding economy have much lower indices of industrial growth than Yugoslavia.

The share of underdeveloped areas in the overall growth of the Yugoslav economy is rather significant. In the less developed republics the industrial growth rate was above the Yugoslav

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average, so that by 1966, in relation to 1939, the physical volume of production increased 9.3 times in Bosnia and Herzegovina, in Macedonia 18.9 times, in Montenegro it was 40 times higher, the only exception being the Autonomous Province of Kosovo and Metohia whose production increased only 6.5 times in relation to 1939. In relation to 1952, which is often taken as the base year in comparisons of achieved results - because it marks the end of a period of extraordinary events through which Yugoslavia was passing during the first eight postwar years, the underdeveloped areas have increased their industrial output by more than 5.6 times, while at the same time, Yugoslav industry as a whole recorded an increase of 5.5 times. Thus, the tempo of growth is more or less the same, but we must register the fact that the industry located in underdeveloped areas achieved by 1964 a social product 19 percent higher than the entire Yugoslav industry in 1952.

A certain idea about the relative significance of industries located in underdeveloped areas in the entire complex of Yugoslav industry is provided by data showing their respective shares in the global national production of some key products.

Table 1

Output of selected key products

	Yugoslavia as a whole		Less-developed areas
	1939	1966	1966
Electrical power (billions kWh)	1.2	17.2	6.1
Coal (millions of tons)	7.0	29.3	14.2
Steel (thousands of tons)	235	1,867	1,045
Lead (thousands of tons)	10.6	97.5	74.8
Wood pulp (thousands of tons)	28.3	317.2	190.5
Cotton yarns (thousands of tons)	18.9	92.5	28.4

After having analysed the above data, we shall notice that by 1966 the less-developed areas' production of these key products

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was considerably higher than the prewar production of these same items in Yugoslavia as a whole. The respective share of these areas in total Yugoslav production of 1966 amounts to 35.5 percent for electric power, 48.5 percent for coal, 56 percent for steel, 77 percent for lead, 60 percent for wood pulp, 30.8 percent for cotton yarns. If we take into account the fact that the share of less developed areas in overall Yugoslav population figures is no more than 34 percent, while their share in total industrial output amounted to 22 percent, the high share of the above products in total Yugoslav production shows the degree of interdependency between the industrial development of the developed and the less developed areas, as well as the basic trends in the industrialization of the less developed areas.

III

Before resorting to active intervention in the backward areas, it was necessary to work out criteria for defining backwardness or underdevelopment, from the economic, social, organizational and juridical aspects of this complex and politically very sensitive problem. The Yugoslav approach to this problem is a pragmatic one, bearing in mind the fact that the underdeveloped areas, by objective criteria, extend over a large portion of the territory, while the investment resources at the disposal of central authorities for intervention in less-developed areas are rather limited, because Yugoslavia as a whole is still a developing country. This is the reason, why the extension of territories considered as underdeveloped has been changing during the years of postwar development. In this context it is of course not possible to give an accurate and complete historical picture of these changes, so that we shall confine ourselves to mention that during particular stages of the postwar period the following territories were at a given moment considered as underdeveloped: the SR of Montenegro and Macedonia constantly, the AP of Kosovo and Metohia since

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1957, the SR of Bosnia and Herzegovina during the 1947-1956 period and again since 1965, some southern parts of Serbia, eastern and southern parts of Bosnia and Herzegovina and some parts of Croatia during 1961-1964. In the retrospective, this discontinuity will perhaps be judged in a negative way, and also from the point of view of the efficiency of an organized system of centralized intervention, which, in order to be complete, requires stability. For this reason a similar judgement may appear justified. But, we must, nevertheless, not lose out of sight two significant moments. The first is the very accentuated complementary character of some regions with respect to others, as regards the structure of industry - a fact which has already been mentioned. In function of the general needs for industrial development during particular periods, this has led to changes in the choice of territories benefiting from centralized intervention. The second moment concerns changes in the system of relationships between the federation and the underdeveloped regions. These relationships have been fixed in a way that the Yugoslav federation intervenes in republics and autonomous provinces considered^{as} less-developed entities (the SR of Bosnia and Herzegovina, Montenegro and Macedonia and the AP of Kosovo and Metohia), while the component republics have to solve themselves the problem of their own underdeveloped areas.

Thus, from 1965 onwards, the territory considered as underdeveloped includes the SR of Bosnia and Herzegovina, Montenegro and Macedonia as well as the AP of Kosovo and Metohia, the latter being a component part of the SR of Serbia. These territories cover a surface of 101,500 square kilometers and number over 6.7 million inhabitants (in mid-1965) or 34.3 percent of the total population of Yugoslavia.

In determining what territories shall be considered as less-developed, the main criterion has been per capita income, but, quite naturally, some other characteristics of the areas in question have also been taken into account. Nevertheless, the table be-

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low includes only data concerning population and per capita income.

Table 2

Population and Per Capita Income of
Socialist Republics and Autonomous Province in 1965

	Population numbers	National income per capita	Index
Yugoslavia as a whole	19,508,000	377,000	100
S.R. of Slovenia	1,646,000	685,000	182
S.R. of Slovenia	4,281,000	453,000	120
S.R. of Serbia without the A.P. of Kosovo and Metohia	6,879,000	395,000	106
More developed areas, in total	12,806,000	452,000	120
S.R. of Macedonia	1,508,000	260,000	69
S.R. of Bosnia and Herzegovina	3,594,000	250,000	66
S.R. of Montenegro	511,000	243,000	64
A.P. of Kosovo and Metohia	1,089,000	138,000	37
Less-developed areas, in total	6,702,000	233,000	62

(National income at 1965 prices, old dinars).

The national income of Bosnia and Herzegovina, Montenegro, Macedonia, and more particularly of Kosovo and Metohia, is sensibly less than the income of the northern parts of the country. These differences seem particularly important in view of the very accentuated differences in demographic trends between these regions. While over the last several years the natural annual population increase has been 5 to 10 for each 1000 inhabitants, in the less-developed areas the corresponding figure was 20, and in Kosovo and Metohia over 28. As a consequence of this, in the less-developed areas the global population figures have grown at a much speedier rate than in the developed ones. Thus, for example, during the last two decades population increased by 14 percent in Croatia, by about 15 percent in Slovenia, by about 15 percent in Vojvodina, while in Bosnia and Herzegovina the registered population increase was of 42 percent, and in Kosovo and Metohia as much as 52 percent. In Macedonia the registered increase was about 33 percent, in Montenegro about 38 percent. The backwardness of the former becomes evident when we consider some other features. There are, first of all, considerable

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differences among the more developed and the less-developed areas as regards infrastructure. Thus, for example, the length of railway lines per 1000 square kilometers of territory is 53.2 kilometers in Croatia, 64.5 kilometers in Slovenia, 91.3 kilometers in Vojvodina, while it is only 41.5 kilometers in Bosnia and Herzegovina. Similar relationships are registered as far as modern roads are concerned. According to the census of 1961, the percentage of illiterates above 10 years of age was 1.8 in Slovenia, 10 percent in Vojvodina, 12.1 percent in Croatia, whereas it was 21.7 percent in Montenegro, 24.5 percent in Macedonia, 32.5 percent in Bosnia and Herzegovina, 41.1 percent in Kosovo and Metohia. There are important differences in the socio-economic structure of the population, in its cultural level and its state of health, and, in a more general way, in the living standards of the population. There also are noticeable differences among these republics and provinces in the level of personal consumption. Thus, for instance, in 1965 the consumption of electric current per household was 302 kWh in Slovenia, 190 kWh in Croatia, 139 kWh in Vojvodina, while it was a mere 78 kWh in Bosnia and Herzegovina, and 43 kWh in Kosovo and Metohia.

In the geographic map below the less-developed areas, officially treated as such (dependent of the fact whether the federal authorities intervene in them or not) are marked, and the map also indicates the number of employed per 1000 inhabitants, and contains data showing industrial production per capita.

IV

Yugoslav economic policies in regard of less-developed areas, are characterized, in the first place, by an active attitude of the social community towards the problem of backwardness, with the view of eliminating it the most rapidly possible. Practical policies pursued after the war in respect of backward areas and development planning are inspired by that attitude.

An important characteristic of the Yugoslav approach to industrialization policies to be pursued in backward areas, consists in treating the officially designated underdeveloped areas as

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integral entities, i.e. without fixing in advance the possible centres of intervention. From the viewpoint of centralized intervention, each backward area is a non-differentiated entity, both from the legal and from the operational point of view. The good side of this method comes from the fact that these areas are treated as integral entities. This enables, on the one hand, more coherent macro-planning, while, on the other hand, industrialization of the more and of the less-developed areas must be of a complementary character. In this way much more freedom is left for innumerable creative initiatives from below, and this is a well known characteristic of Yugoslav socialism. But, in this connection one should not forget certain weaknesses, stemming from the unnecessary parallelism of decentralized initiatives, from the exaggerated dispersion of development projects, etc.

It is usually admitted that the system of centralized intervention in favour of backward areas may take three forms: direct allocation, indirect allocation, and combined allocation of resources. It is a known fact that Yugoslavia, who until recently was completely oriented toward direct allocation, now tends to adopt the combined method.

While direct allocation was the most appropriate method under the system of intervention characterized by a high degree of centralization of investment resources, which has been in force during the earlier stages of the postwar Yugoslav socio-economic system - the more so because this method entailed maximum security in the use of concentrated resources, in perfect harmony with the planned purposes - an increasing decentralisation of functions and resources in the Yugoslav economy inevitably led to the introduction of certain elements of indirect allocation, i.e. to use of the combined method. The very objective of this method is to induce through appropriate incentives the enterprises and banks from the more developed areas to invest their resources into investment projects in less-developed areas, in harmony with their interests. At this moment the incentive takes the form of a priv-

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ileged interest rate on loans, because the banks and enterprises providing investment finance for projects in less-developed areas can obtain from the federation an additional interest rate of 3 percent on loans extended by them, if the conventional rate on ordinary loans does not exceed 8 percent. In addition, the banks are exempted from certain federal taxes on the resources invested into less-developed areas. It seems highly probable that in the future some other similar incentives will be introduced, and, in addition, federal measures can be supplemented by other incentives provided by the republics or communes. In this way a combined scheme of allocations will be utilized, under which direct global allocation will be the basic method, while the additional way consists in inducing capital movements from the developed into less-developed areas, in order to increase the amount of accumulated resources at the disposal of these areas.

There we may notice that the global character of federal intervention consists in the practice to allocate federal resources in global amounts to particular less-developed republics and autonomous provinces, but thereafter these resources are relented by the commercial banks domiciliated in these areas to the ultimate borrower. Before, federal resources were directly allocated, through the intermediary of a federal bank, to enterprises and other borrowers domiciliated in these areas.

For a long time the need was felt to secure through a better organization a maximum degree of efficiency in the allocation and use of special resources destined to less-developed areas. For this reason the federation has founded a special fund - the Federal Development Loan Fund - whose function is to provide finance for the development of less-developed republics and areas. This Fund is an autonomous institution entrusted with the following functions: 1) collecting of special federal resources, in amounts staying in a determined proportion with the social product of the socialist sector of the economy; 2) allocation of these resources,

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in the form of loans extended to the less developed republics and areas; 3) Study of possibilities, conditions, needs and problems connected with the accelerated development of backward regions; 4) Extending of technical assistance to the backward areas. The Management Board of the Fund is responsible vis à vis the Federal Assembly for the activities carried out by the Fund.

The programme of activities of the Fund is based upon federal plans of economic development. In the medium-term plan of the Yugoslav federation a special place is devoted to the development of less-developed areas, in as much as the plan defines the general lines and the main parameters, such as the growth rate of production, more particularly industrial production, the volume of investment and the possible sources of investment resources, and more particularly those of the Development Loan Fund for underdeveloped areas, the increase of employment in the less-developed republics and areas.

Another important thing merits to be underlined in this context, namely the fact that the federation's intervention in favour of less-developed areas takes two more ways. In the domain of investments into the economy, projects deemed to be of some importance for Yugoslavia, as a whole, are financed out of the resources at the disposal of the federation. The second method are subsidies granted by the Yugoslav federation to the budgets of less-developed areas. These subsidies are of great importance as a source of finance for infrastructural projects, insofar as they contribute to hasten the development of education, health services, etc.

V

Thanks to the active role of general development policies in solving the problems of backward areas, it has been possible to achieve more remarkable results in promoting their development than could have been achieved if these areas were left to themselves and obliged to finance their development out of their own

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resources. On the other hand, the industrialization of these areas has made a significant contribution to the overall economic development of Yugoslavia.

In backward areas the inherited character of a semi-subsistence economy is subject to rapid changes, and this is, without a doubt, the most important result of postwar development. Changes of a decisive character have been achieved in their economic and demographic structure. In fact, in most underdeveloped areas the shift from agriculture to non-agricultural occupations was more rapid than in the Yugoslav average. According to the population census of 1948, the proportion of agricultural population to total population was 70 percent, for Yugoslavia as a whole, and the respective percentage was 49.4 in 1961. At the same time in the S.R. of Macedonia the respective percentage declined from 71.6 percent to 51.1 percent, in the S.R. of Montenegro from 79.4 to 46.9 percent in the S.R. of Bosnia and Herzegovina from 77.3 to 50.1 percent and in the A.P. of Kosovo and Metohia from 83.2 to 64.1 percent. In that way, in 1961, the year of the last census, in the two major underdeveloped regions, the S.R. of Bosnia and Herzegovina and the S.R. of Macedonia, the demographic structure was almost the same as the average structure of Yugoslavia, while Montenegro is above and only Kosovo and Metohia are below the Yugoslav average.

Parallel to this the process of urbanization evolved more rapidly in the underdeveloped than in the developed areas. The very reason for this development is the more rapid increase of employment in backward areas, due to their industrialization. Between 1952 and 1965 the number of employed in the socialist sector of the economy, both in Yugoslavia as a whole, and in the backward areas, increased by 111 percent, although the latter had much less possibilities for creating new jobs. During the interval of 13 years the number of newly employed in the backward regions increased by 474,000 persons, that is about 15 percent more

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than the average increase of their total active population.

A significant improvement has been recorded in the employment structure of the less-developed areas. In Yugoslavia as a whole and in the backward areas altogether, the manufacturing industry rose to the first place as a source of employment. In 1965 the employed in industry and mining accounted for 37.5 percent of the total number of employed and for 45 percent of the number of employed in economic activities; in the less-developed areas the respective percentages were 36.8, or 44.8.

A characteristic of the accelerated development of less-developed areas are the specific ratios which appear between global investment and the social product. As regards these ratios the less-developed areas were constantly much above the developed ones. Over the 1947-1964 period in the more developed areas gross investment accounted for 25 percent of the effectively realized social product, in the less-developed areas the respective percentage was 37. During the 1957-1964 period the corresponding ratios were 27 and 37 percent.

The much higher ratio between investment and social product which can be observed in the less-developed areas, comes from the transfer of one portion of the accumulated resources from the developed areas. But, despite this fact, per capita investment in the less-developed areas is much lower. This can be attributed to the fact that their gross product is lower, and the rate of their population increase much higher.

As a consequence of a relatively high investment rate, production in less-developed areas grew at a very high rate. Between 1947 and 1964 their global national income almost trebled, while in 1964, it was twice as high as the national income registered in 1956. These increases, which so far did not succeed to bring the national income of the less-developed areas to a level close to that of the developed ones - this being the main long-term objective - have, nevertheless, raised their per capita income at a

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level substantially higher, than the Yugoslav average in former times. In 1964 the national per capita income of the less-developed areas was 40 percent higher than the per capita income of the developed areas in 1947, and 5 percent higher than their income in 1956.

The growth of industry played a decisive role in this upswing. The table below shows that the growth rate of industrial production, already high if we take Yugoslavia as a whole, is even higher in the less-developed areas, with the exception of Kosovo and Metohia. If we consider the period from 1952 onwards, in order to mitigate the impact of the uneven prewar level, we shall obtain the following figures.

Table 3

Main Indicators of Industrial Growth

	Production index	Number of Employed (in 000's)		Social Product (in billions of old dinars, prices from 1960)	
		1966/1952	1952	1965	1952
Yugoslavia as a whole	474	562	1,378	483	1,941
More developed areas	...	440	1,046	387	1,505
Croatia	449	155	353	147	516
Slovenia	382	116	228	115	379
Vojvodina	463	49	134	32	152
Serbia proper	...	120	331	93	458
Less-developed areas	...	122	331	96	436
Bosnia and Herzegovina	534	85	200	64	285
Montenegro	1,153	5	25	3.8	40
Macedonia	112	20	75	15.6	72
Kosovo and Metohia	412	12	31	12.6	39

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As different from industry, the upswing of other economic activities, however high, was not of such a propellent character that it could bring these activities to the same level as in the more developed parts of the country. This refers to agriculture and forestry and to the entire sector of services, i.e. building industry, transportation, trade and artisan trades.

VI

Active development policies in the backward areas have, without a doubt, yielded good results. The previous chapters have conveyed a certain insight into these achievements, but the most positive features are, precisely, these constant impulses towards accelerated progress, the process of emancipation which advances at a powerful rhythm, regardless of its intermittent fluctuations.

In a similarly positive way we may judge the principle, according to which accelerated growth of backward areas must be judged primarily from an economic point of view, and only after from a social and political point of view, this being the only way of assuring the integrality of Yugoslav economic policies, i.e. the complementary character of development in all the parts of the country. In some cases, however, the implementation of this principle has not been at a satisfactory level, and this has manifested itself in the unsatisfactory harmonization of programmes related to the erection of new manufacturing plant, and in the inadequate utilization of installations formerly built in less-developed areas, etc. These problems should be related to some general question showing the unadequacy of the system and methods of Yugoslav economic planning.

There can hardly be any doubt about it that industrialization has proved to be the most appropriate method for the speedy emancipation of backward areas, and the future prospects of these areas depend on the success of industrialization. The very sub-

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stantial hidden reserves of active population in the less-developed areas can be mobilized in an effective way only through industrialization, precisely in view of the fact that modern agriculture requires a high capital output ratio, that personal consumption is not at a sufficient level enabling that the indispensable rapid increase of employment be achieved in the activities of the tertiary sector, and that the ethnical differences among the population reduce the extent of possible interregional migrations.

If we pass a qualitative judgment on the industrialization process in less-developed areas, we may bring in relief that the technological level of the new industry is more or less satisfactory, that new manpower tends to become, within a relative short span of time, a truly industrial manpower, and that many new enterprises in these areas have already acquired a good reputation both on the domestic market and abroad. But, on the other hand, the degree of specialization in industry is not always satisfactory, here and there some tendencies towards regional autarchy come to the fore, as well as tendencies to build installations of an uneconomic size. There are also cases of exaggerated dispersion of some branches, and harmonization between the already built industrial installations, on the one hand, and the infrastructural facilities and the absorptive capacity of the market, on the other, is not always perfect.

The fact that so far emphasis has been laid on accelerated industrialization of less-developed areas, has, to some extent, contributed to leave aside certain vitally important activities, first of all agriculture, and this is most certainly due to the impossibility to meet all the needs from rather limited savings. But, the nonindustrial sectors must also have a corresponding tempo of growth, they must possess certain dimensions and a certain structure, and it seems that this is the necessary prerequisite for industrial expansion. The level of production in agriculture, an essential source of raw materials and food products, of tremendous importance for the Yugoslav balance of payments, and, at the same time, an extended market for industry, is still considerably

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lagging behind in the less-developed areas. In 1964, the per capita income derived from agriculture was 72 percent higher in the more developed areas in relation to the less-developed ones, while income per hectare of arable land was 81 percent higher than in the less-developed areas. This is most certainly one of the major problems which has to be solved before economic development of the less-developed areas makes some further strides, but the industries already established in these areas will facilitate the solution of this problem.

VII

When speaking of the further prospects for the development of less-developed areas we must bear in mind the main factors upon which one may count if desiring to assure a further upswing of their economy, and, hence, their emancipation from external assistance. Among these factors one must mention the natural resources, the already built-up infrastructure, the production facilities, manpower and the institutional and political framework. The less-developed areas possess some valuable sources of material wealth. These areas contain 76 percent of Yugoslav coal reserves, 96 percent of iron ore reserves, 86 percent of zinc and lead reserves, 84 percent of bauxites, almost the whole of manganese reserves and the bulk of antimony and asbestos reserves. The less-developed areas also dispose of 40 percent of the total timber resources, and of a substantial portion of hydraulic resources of Yugoslavia. Further industrial growth of Yugoslavia is largely dependent on the supply of raw materials from these areas. For the economic development of these areas other natural resources, not directly related to industry and to industrial growth, are of very high importance. We may cite for example that certain underdeveloped areas have very favourable prospects for the development of the tourist trade, while some areas with a typical Mediterranean climate are suitable for the cultivation of special southern crops. The less-developed areas are also an abundant source of manpower for the Yugoslav industry. It has been estimated that the available manpower reserves of these areas are sufficiently high to

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fill 800,000 new jobs, if the rate of employment in these areas would attain the same level as in present-day developed areas north of the Sava and Danube Rivers. Further reserves may be found in the possibilities to raise labour productivity. So, for instance, in 1964, the social product per worker was 16 percent higher in the developed regions than in the underdeveloped ones. In other words, this is not so bad, but we must take into account the fact that in the less-developed areas the industrial structure is overburdened with power generation and other basic features, which, as a rule, secure a high product per employed person. When speaking of manpower we must not forget the supply of highly skilled personnel. In these areas the structure of skills has substantially improved during the last ten years, and today it is not substantially lower than the structure of skills in the more developed parts of the country. There are numerous new educational facilities in underdeveloped areas, including various high schools and universities. In fact, a specific feature of Yugoslav accelerated development policies concerning underdeveloped areas is the creation of high schools in the centres of backward areas. The already existing industrial establishments are an important factor in policies aiming to overcome backwardness in some areas. During the elapsed decade, in these areas, the value of fixed assets in the socialist sector of the economy has increased four-fold, whereas the value of fixed assets in industry is five times as high as it was ten years ago. This rate of growth is much above the Yugoslav average.

Finally, the less-developed areas offer ample possibilities for a further expansion of the Yugoslav domestic market. The increasing volume of capital investment in these areas will demand a steadily growing supply of capital goods, while their growing industry and agriculture, which has to be modernized in a speedy tempo, will absorb increasing quantities of raw materials and semi-manufactures. On the other hand, the increase of personal consumption will create new demand for consumer goods. A similar expansion of the market will not fail to be an important factor

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of accelerated development in the less-developed areas and, at the same time, a major contribution to the economic development of the country as a whole.

In framing the present social plan of economic development all these elements have been taken into account. This particularly refers to projections which have been made concerning the development of backward areas during the 1966-1970 period. The perspectives of the plan shall contribute to the further upswing of the economy, and shall entail a qualitative transformation of these areas, from the social and economic point of view.

What seems positive in the new Social Plan for the 1966-1970 period is the evolution of the general concept concerning the necessity of pursuing accelerated development policies in less-developed areas. The new concept behind the plan shows a certain crystallization of principles, a much clearer definition of the strategy of development and defines in a more determined way the methods capable of eliminating in a radical way the weaknesses of the hitherto practice. Although it contains less directives and concrete recipe the Social Plan for the 1966-1970 period gives a clearer insight into development policies relating to less-developed areas, indicating the general lines and methods which have to be followed.

As regards the structure of development the Plan provides for a more intensive development of activities permitting a more profitable exploitation of rich mineral and power resources in the less-developed areas. In order to enable a better utilization of hidden reserves in manpower, incentives will be provided for the development of agriculture, artisan trades, tourist trade and cottage industry, etc.

In the Plan some emphasis is laid on the necessity to devote

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more attention to problems related to the construction of major and secondary urban centres as seats of economic life, in order to assure a more rational development of areas gravitating around these centres. It is known fact that urbanization which thrives under the impact of blind forces is a source of serious problem.

Infrastructure, and, first of all, transportation, are the very field where the main development efforts will be made during the 1966-1970 period. In this field the main objective is the completion of the main railway and road communications, without which there can be no proper integration between less and more developed areas, indispensable for economic progress.

The Plan brings in relief the importance of cooperation and integration between enterprises of the less and the more developed regions, as a factor leading to production increases.

The intention to lend support and even active assistance to organized migration of manpower from the less-developed to the more developed areas and centres merits some attention. On the quantitative side the Plan fixes a certain number of basic parameters. The possibility is foreseen that during the 1966-1970 period the growth rate of global production in less-developed areas should be two percent higher than the average growth rate of the Yugoslav economy, which is expected to be between 7.5 and 8.5 percent. If this materializes, the per capita income of these areas is likely to reach 85 to 90 percent of the level registered in Yugoslavia as a whole in 1965. A similar development can be anticipated, if we take into account the previsible rate of investments into basic assets. During the five years of the Plan the total amount of investments will attain 30 billion new dinars at 1965 prices, broken down as follows: 12 billion dinars will be provided by the enterprises of less-developed areas; 4.5-5 billion from the banking system and external credits; about 5-5.5 billion from the general investment and budgetary resources of the federation, and approximately 8 billion new dinars will come from the Federal Develop-

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ment Loan Fund for the less-developed republics and areas. The resources of this Fund will be collected from the national income of the socialist sector of the Yugoslav economy during 1966-1970, so as to attain 2 percent of this income.

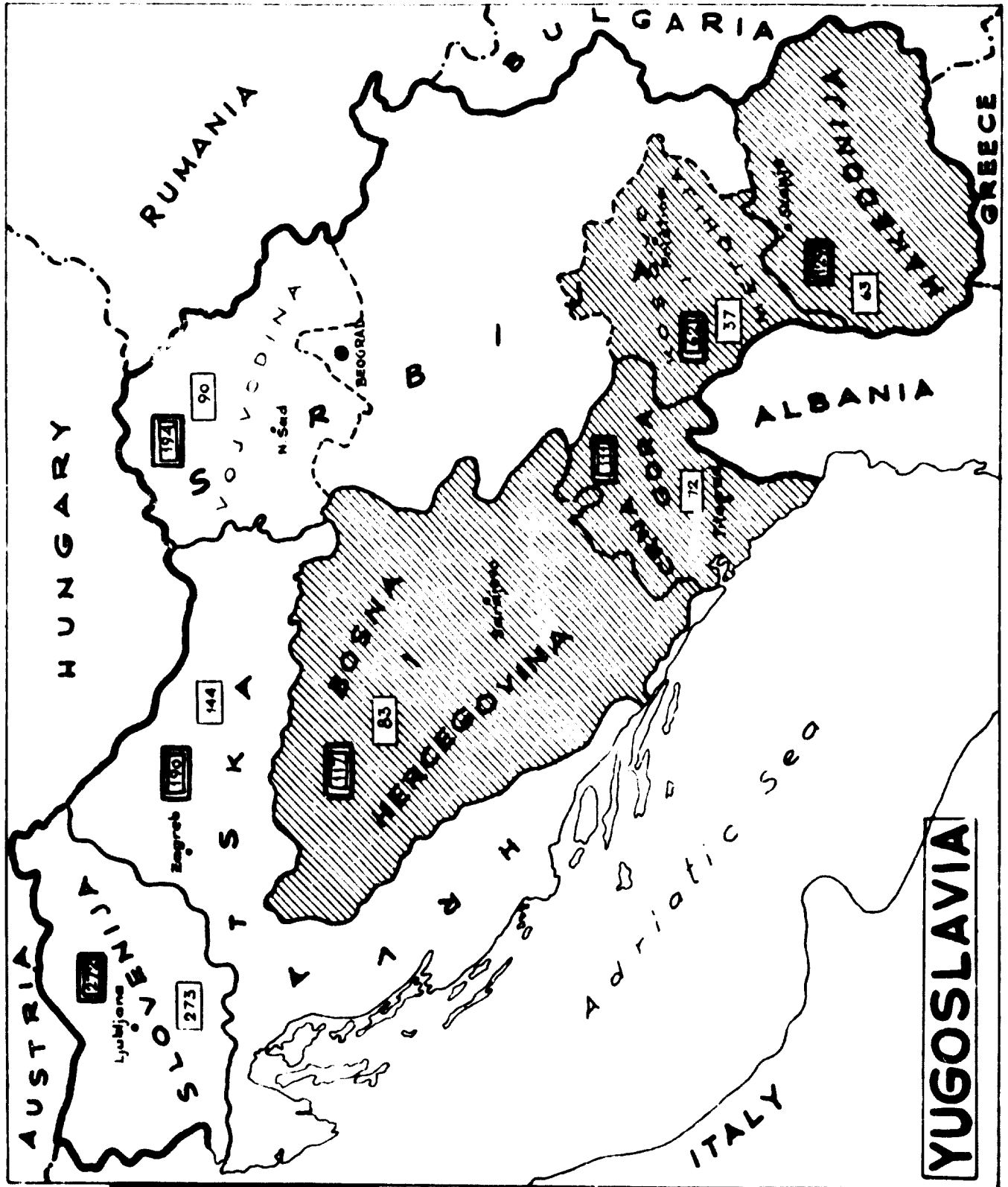
These perspectives will become reality thanks to the economic reform which is being implemented since mid-1965. Its major objectives are the stabilization of the Yugoslav economy, a more rapid increase of productivity instead of former extensive methods, further decentralization of resources, as a precondition for an efficient functioning of enterprises managed by the workers in a market economy, and accelerated integration of Yugoslavia in international trade. In the long run, this exceptionally important programme will provide new chances for the further emancipation of less-developed areas, whose mission is to contribute more and more to the general development of the Yugoslav economy. There can be little doubt about it that some forms of social actions, which are likely to hasten in a socially and economically appropriate way the elimination of the existing differences in the degree of economic development of these areas, will continue.

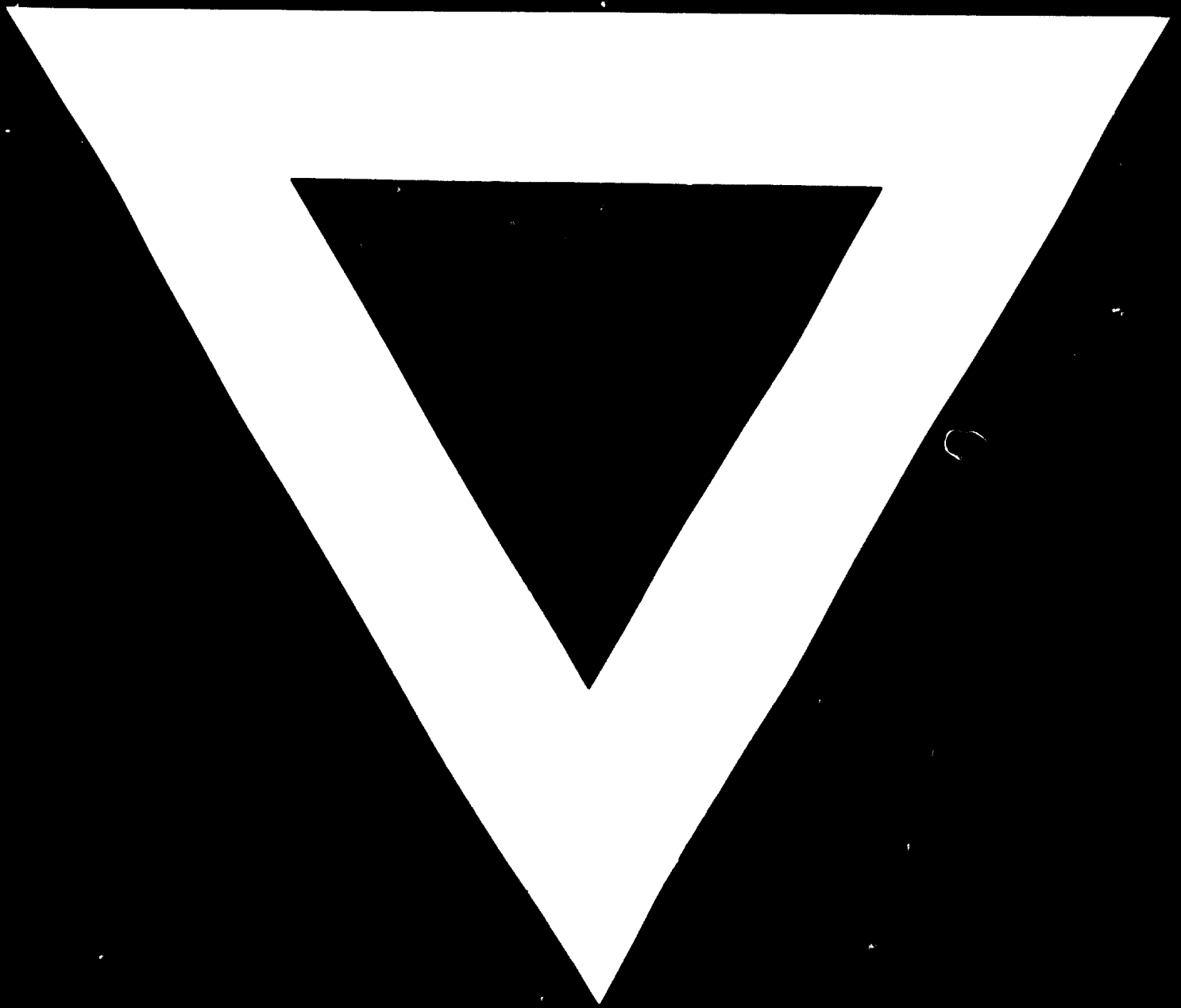
Number of employed persons per each 1000 inhabitants. Average for Yugoslavia 1965.

Basic product (value added) of manufacturing, mining and quarrying per an inhabitant in 1964 in thousand dinars and at current prices.

Average for Yugoslavia 1965.

Regions which have since 1945 been officially treated as undeveloped ones.





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