

CENTRAL INTELLIGENCE AGENCY

SECRET/CONTROL - U. S. OFFICIALS ONLY  
SECURITY INFORMATION

50X1-HUM

## REPORT

COUNTRY Yugoslavia

DATE DISTR. 1 July 1952

**SUBJECT**      The Yugoslav Internal Economic Situation

NO. OF PAGES 5

NO. OF ENCLS.  
(LISTED BELOW)

CIRCULATE

SUPPLEMENT TO  
REPORT NO.

50X1-HUM

THIS IS UNEVALUATED INFORMATION

50X1-HUM

1. The internal economic situation in Yugoslavia at the beginning of 1952 was no worse than it had been in the past; Yugoslavia had successfully overcome such situations before. In fact, there were now indications of an economic revival and signs of an improvement in the functioning of the Yugoslav bureaucratic machine. There was a recrudescence of initiation on the part of the senior staff, such as factory managers, technicians and skilled workers, attributed to the gradual disappearance of fear which had had a paralyzing effect during the last two or three years.
2. The reasons for a lower level of output during the period 1947-1950, inclusive, were diverse, but were basically due to the following causes:
  - a. The economic blockade imposed by Yugoslavia's Satellite neighbors;
  - b. The decrease and almost total disappearance of accumulated funds which had been built up by 1947, by strenuous efforts on the part of the Yugoslav working population and by Yugoslavia's access to the following resources, now cut off:
    - (1) Expropriation and nationalization measures;
    - (2) UNRRA aid and Czechoslovak assistance;
    - (3) Yugoslav trading credits in Poland and Czechoslovakia;

CLASSIFICATION

SECRET/CONTROL - U. S. OFFICIALS ONLY

[illegible]

SECRET/CONTROL - U. S. OFFICIALS ONLY

-2-

- (4) The exploitation and re-export of Albanian petroleum products; 50X1-HUM
- (5) Substantial funds for the [ ] civil war which were administered by Yugoslav agencies at home and abroad;
- (6) Trade with Trieste, which had gradually become more and more difficult;
- (7) The greater productivity of the workers in the immediate post-war years; 50X1-HUM
- (8) Remittances from emigrés [ ] and funds brought into the country by immigrants [ ] immediately after the war; and
- (9) The post-war agrarian policy prior to the introduction of agricultural cooperatives, which scared off the peasants.

3. At the congress of the Communist Party of Serbia held in March 1952, Petar Stambolic, President of the Republic of Serbia, following the lead given by Boris Kidric, Chairman of the Federal Economic Council, defended the thesis of a revision of the economic plans, and the granting of greater freedom to private enterprise. He stated that economic planning should be brought on to a more realistic basis, and that plans should take into account the actual potential of the country. Private enterprise in small trading and in craftsmen's industries should be encouraged and not discouraged by Government orders; where the State has failed to realize the aims laid down, work should be handed over to private enterprise.

50X1-HUM

4. [ ] this was not being considered only as a temporary measure by certain Yugoslav economic circles, but rather as the initial steps towards the founding of a new form of Yugoslav socialism, a form of compromise between the social democracy as expounded by social-democratic government and that of the People's Republics of the Soviet bloc.

#### Labor

- 5. The position of the younger members of the Yugoslav working classes (the Yugoslav youth proletariat) has, however, worsened for the following reasons:
  - a. Less opportunities for work;
  - b. Decrease in public works and social benefits;
  - c. Less opportunities to join the white-collar class of worker; and
  - d. Diminished political influence of the masses on Yugoslav political firms.
- 6. The result has been an increase in Cominform influence on this section of the population since the end of 1951.
- 7. The Government has faced the labor situation by granting greater powers of discretion to factory managers than has ever been the case before, and similarly to directors of import-export firms, who are now empowered to conclude contracts with foreign firms. They are equally empowered to nominate foreigners to represent Yugoslav products or firms abroad. The Government has also given final approval to measures entitling workers to consult with their superiors and to make suggestions to their superiors on matters affecting the factories.

SECRET/CONTROL - U. S. OFFICIALS ONLY

SECRET/CONTROL - U. S. OFFICIALS ONLY

50X1-HUM

-3-

Output

8. The output of the last ten months has not been considered adequate by the Yugoslav authorities. The weakest point in the Yugoslav production plan has been the following industries:
- a. Light industries;
  - b. Agricultural and foodstuffs industries; and
  - c. The petroleum industry.

The first two categories above mentioned have not produced more than 70 to 72 per cent of their targets during the period in question.

Agriculture

9. Wheat production during 1951 was 40 per cent higher than during recent years but stocks are lower than in 1949. Potatoes are in the same situation; production is higher but stocks are lower, and the alcohol-producing industries have suffered serious losses. During the second half of 1951, they were forced to buy on the open market at prices two or three times above normal, which had the effect of increasing production costs considerably. Sugar-beet production was 8 per cent above that of 1950 and the Yugoslav sugar factories were adequately and regularly supplied.
10. As regards produce for the pharmaceutical industries, Government farms and agricultural cooperatives produced 27,000 tons of opium poppies more than before with an equivalent increase in the production of pure opium. The North Serbian farms also showed an increase in pharmaceutical plant produce.
11. In general, individual production of agricultural produce increased, but production was diverted mainly to that of necessities for the family and neighboring cities. Production on industrial account, with the exception of sugar beet, decreased with consequent effect on foreign trade. The northern part of the country, in particular Serbia, gave the best returns, although Croatia and Slovenia showed a marked decrease in produce for industrial use. During 1952, the situation in the South improved, particularly in Macedonia, where the position has shown a steady betterment in the last 18 months. This can be ascribed to the fact that the Macedonians have accepted the fact that the political situation will not change, as they expected earlier.

Petroleum Industry

12. The petroleum industry did not succeed in realizing during 1950-1951 even 30 per cent of the target envisaged under the Five-Year Plan. The drillings in the Moslavina area of North Croatia and the Modjurmure region of Slovenia did not give the expected results. The Modjurmure region was expected to produce 280,000 tons per annum by the end of 1951; the actual 1951 output was 33,000 tons. The exploratory soundings in the Kostolac area of northeast Serbia were only experimental, and no regular production took place. Shortage of necessary plant was the cause.
13. During 1951 and the first two months of 1952, Yugoslavia's petroleum requirements were met exclusively by imports; 62,000 tons were imported   during 1951.
14. Very rich deposits have been found in Slavonska Pozega in Slavonia; they are estimated to be the largest on Yugoslav territory.

50X1-HUM

SECRET/CONTROL - U. S. OFFICIALS ONLY

50X1-HUM

SECRET/CONTROL - U. S. OFFICIALS ONLY

-4-

Electro-technical Industries

15. The Zagreb manufacturers of electric motors, batteries and electric-light bulbs realized their quantitative targets at the expense of quality, which suffered from the negligence of the workers and lack of technical skill of the management. The worst example was that of the "Akumulator" (sic) works of Zagreb whose poor quality output caused considerable damage and losses to Croatian factories and other works in Yugoslavia.
16. The "Rade Koncar" works realized their program; the targets were, however, set lower than in 1949-1950. Despite all the difficulties which this concern had to face, such as a regular flow of raw material, particularly pig-iron, it nevertheless more or less reached its target. Production over the last two years has been more and more concentrated on 1-KW to 120-KW motors at the expense of condensers and power-station equipment.

Rubber, Leather and Plastics Industries

17. Over-all production has increased, but an analysis of the figures shows that semi-finished and finished leathers have increased by about 30 per cent. Production of synthetic materials (plastics) is completely new and an increase in percentage here has no significance. Polyvinyl production is largely exported in raw or semi-finished state. Although the industry is going, it is not of great importance in the world market.

50X1-HUM

Agricultural Machinery

18. The "Zmaj" works at Zemun is the only works to have realized the appointed targets for agricultural machinery during 1951 and the first quarter of 1952.

Metallurgical Industries

19. The general level of production in 1951 was lower than in 1949 because of difficulties in raw-material supplies, and also because of a tendency to attempt to maintain a steady average output rather than to force production and wear out equipment which is later irreplaceable.
20. A new blast furnace was installed at Caprag in November 1951, which was produced by "3 May" Enterprise in Rijeka. Nevertheless the tendency was that of a decrease in pig-iron output because of a diminution in ore supplies. The reasons for this were antiquated equipment and a changing labor force, no longer closely controlled by the Government.
21. The production of rolled steel has slightly increased. The Zenica works, which consists of a new and an old rolling mill, have increased output by 40 per cent compared to 1949. New plate-cutting machinery, which has been installed at the "Ivo Lola Ribar" works at Zeleznik, improved the position there. These works supply the Slavonski Brod engineering industries, which are expected to produce locomotives for the first time in 1952. The target is set at 200.

50X1-HUM

Power Supplies

22. The 1954-1955 target of a production of 7,000 (sic) kilowatts of electric power per annum appear since the arrival of imports during the period October 1951 to March 1952 to be a more practical proposition. The new hydroelectric stations, upon which so much depends, had to be partially closed down during 1950. Jablonica is now, however, fully operative, and great strides were made at the end of 1951. The thermo-electric stations in Central Serbia are also gradually making their output felt.

SECRET/CONTROL - U. S. OFFICIALS ONLY

SECRET/CONTROL - U. S. OFFICIALS ONLY

-5-

#### Railway Communications

23. The electrification scheme is vital for the improvement of the North-South line, and communication with the Central Adriatic littoral. The Ljubljana-Zagreb-Belgrade-Nis, Belgrade-Skoplje-Greek frontier, and the Samac-Sarajevo-Dubrovnik are all to be electrified. Work on the Samac-Dubrovnik is finally to start on 1 June 1952 and is to be completed by summer 1952.
24. Lack of locomotives, and the inadequacy of track, are the main causes for the inefficiency of Yugoslav rail communications. Priority is being given to the doubling of tracks, in particular to the vital Samac-Dubrovnik line, which should be completed by 1953. When this occurs, Ploce port (Dubrovnik) will relieve Split of 70 per cent of the traffic now handled by that port.

#### River Communications

25. River communications showed a marked improvement during 1951. Despite the continued tension with neighboring countries, the volume of Danube traffic increased by 25 per cent. It is hoped to overcome political tension with Rumania sufficiently to reach a modus vivendi regarding communications with the Black Sea. The Danube-Theiss Canal complex should be completed by 1953. Lack of labor has so far held this project up. There are adequate supplies of cranes and excavators to carry it out. The Sava Canal from Zagreb to Sisak has been completed. Its prolongation to Zidani Most by 1954 will greatly assist the transportation of Slovene coal and timber to the Adriatic. The Samac-Dubrovnik line will then be the shortest route from river to the coast.

#### Mining Industries

26. Copper - The exploitation of the deposits near Pec in northern Montenegro on the Albanian frontier started in the second half of 1951. By 1953 these mines are expected to produce 20,000 tons per annum. This output will be entirely directed to exports, so that the production at Bor can be processed at the new copper works to be erected during 1952 near Krusevac. By the end of 1953, the Krusevac works should be in a position to supply the needs of the domestic market in copper (particularly electrolytic) wire bars which now have to be imported.
27. Coal - Coal production during 1951 was uneven. The central Croatian lignite mines passed their target by 10 per cent. Those at Bosanski Krupa did not reach the target set. The new lignite deposits on the Sar area of northern Montenegro started production during the second half of 1951. Eventually their output will be larger than the combined output of the two Bosnian fields.
28. The need for coke is, however, still very pressing. Home production barely covers 10 per cent of requirement. The lack of Polish coal and coke is very greatly felt and, in fact, constitutes one of the main reasons that Yugoslavia is being forced to try to seek some form of economic agreement with the Soviet bloc.

SECRET/CONTROL - U. S. OFFICIALS ONLY