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Jure Ramšak, PhD, Senior Research Fellow
Science and Research Centre Koper
jure.ramsak@zrs-kp.si

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Yugoslavia and the unlikely success of the New International Financial Order*

Abstract: *The lack of a viable alternative to the existing monetary and financial systems that would integrate richer oil-producing countries in the G-77 coalition and the Non-Aligned Movement with their less fortunate fellow members proved to be the most persistent obstacle in the path to establishing South-South economic cooperation and thereby challenging the global trade patterns and financial architecture dominated by North Atlantic institutions. As a European country with sizeable industrial capacity but a chronic shortage of financial capital, Yugoslavia was vitally interested in the possibility of channelling enormous amounts of fresh petrodollars into the envisaged 'South Bank', while remaining ambiguous about other alternative forms of financial cooperation among developing countries proposed from the beginning of the 1970s onwards. This paper is based on two sets of archival sources: 1) materials connected to Yugoslavia's role as coordinator of the Working Group for Non-Aligned Countries Central Bank Cooperation, and 2) evidence of impediments to bilateral economic arrangements with Least Developed Countries caused by the absence of alternative exchange mechanisms, which provide grounds for a discussion on the inaptitude of Yugoslavia's and, by extension, the G-77's experiments in the context of 1980s neoliberalism.*

Keywords: Non-aligned Movement, G-77, UNCTAD, Yugoslavia, New International Economic Order, South Bank

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Introduction

“Why is it easier for politicians in developing countries to devise programmes of financial cooperation than it is for bankers in the respective countries to put them into practice?” A representative of the young generation of Yugoslav economists posed this rhetorical question in the Introduction to his 1987 book and promptly provided the answer: Because that would require much greater financial resources and political support from all over the world.¹ By then it had become obvious that the blame for words not leading to action lay not only with ‘certain industrialised countries’ and their lack of political will to establish and promote true cooperation between developed and developing countries within the framework of the international financial and monetary system, as stated in the Economic Declaration of the Fourth NAM Summit in 1973², but also with the G-77 coalition itself, to which Yugoslavia belonged, and its inability to persuade its own members to invest in radical change.

As the culmination of efforts towards the project of the New International Economic Order (NIEO), the Algiers Declaration envisaged the establishment of monetary and financial cooperation among developing countries, including institutional arrangements – via a joint financial institution – that would utilise surplus funds available in developing countries to finance projects with a specific export orientation.³ These ambitious plans were greatly aided by the oil price surge during the 1973–1974 shock, but, as widely acknowledged, although the oil revolution did bring about a global transformation, it was not the sort that the anticolonial elites had hoped for. In fact, in just three years (1972–1975), the non-oil producing members of the G-77 coalition, unable to purchase oil at reduced prices, accrued an additional 28 billion USD in foreign debt, ending up with a 38 billion USD deficit; in contrast, according to U.S. bank reports, OPEC nations registered approximately 7 billion USD in short-term capital inflow during the same period.⁴

As Ljubica Spaskovska has demonstrated, both the first and, even more, the second oil crisis carved a huge hole in Yugoslavia’s current account,⁵ but the global political inability to commit petrodollars to the establishment of a financial safety net for the NIEO project proved even more detrimental to Yugoslavia’s economic

¹ Mojmir Mrak, *Svetovni Jug v pasti dolgov*, (Ljubljana: Delavska enotnost, 1987), 20–21.

² Fourth Conference of Heads of State or Government of Non-Aligned Countries, Economic Declaration (Algiers, 5–9 September 1973), 64, published by the James Martin Center for Nonproliferation Studies (CNS), Monterey, URL: http://cns.miis.edu/nam/documents/Official_Document/4th_Summit_FD_Algers_Declaration_1973_Whole.pdf (02.01.2024).

³ *Ibid.*, 87.

⁴ Christopher R. W. Dietrich, *Oil Revolution: Anticolonial Elites, Sovereign Rights, and the Economic Culture of Decolonization*, (Cambridge: Cambridge University Press, 2017), 268–287.

⁵ Ljubica Spaskovska, “‘Crude’ Alliance – Economic Decolonisation and Oil Power in the Non-Aligned World”, *Contemporary European History*, 30, 4 (2021).

interactions with developing nations. Being an export-oriented country deeply integrated into world markets, Yugoslavia found itself in an ambiguous position in relation to the less developed members of the Global South coalition.⁶ The scepticism of Yugoslav managers towards all non-monetary forms of exchange and their insistence on operating within a convertible system posed significant obstacles to the continuation of the newly established economic connections, especially with the least developed countries. At the same time, the country's leading economic thinkers set out to devise mechanisms that would provide an alternative, albeit partial, to the dominant Western financial architecture, guided by what the above-mentioned economist – in line with the conventional Yugoslav de-ideologised conception of non-alignment – termed a 'classical business-financial philosophy'. In the context of this paper, Yugoslavia's involvement in the dominant global financial architecture and concomitant pursuit of an alternative provides a unique perspective on the NIEO, one component that has been under-researched, usually referred to as the New International Financial Order. These aspects are largely ignored in the existing literature on the global financialisation, which is mainly produced in Anglo-centric knowledge centres and predominantly focussed on core capitalist countries in Europe and the US.⁷ In the first part of my paper, the discussion follows the reports and critical discussions produced by Yugoslav authorities in charge of international relations and trade (both at the federal and republican levels), regarding the challenges of economic cooperation with developing countries. The second part focuses on the knowledge generated by prominent Yugoslav experts either within the country or in the framework of international organisations, such as the United Nations Conference on Trade and Development (UNCTAD), complemented by analyses of diplomatic documents that illustrate Yugoslavia's coordinating role in the establishment of new global financial institutions in support of the NIEO.

Dollarization

Following the wave of liberalisation of foreign trade and integration into world markets during the latter half of the 1960s, Yugoslavia underwent an intensive transition from a clearing system to a convertible trade system⁸ in its dealings with

⁶ *On the Fault Lines of European and World Politics: Yugoslavia between Alliances and Neutrality/Non-Alignment*, edited by Srđan Mičić and Jovan Čavoški (Belgrade: INIS, 2022); Nemanja Radonjić, *Slika Afrike u Jugoslaviji* (Beograd: INIS, 2023).

⁷ Kai Koddenbrock et al., "Beyond Financialisation: The *Longue Durée* of Finance and Production in the Global South", *Cambridge Journal of Economics*, 46, 4 (2022).

⁸ The clearing system, typical of foreign trade among members of the Council for Mutual Assistance (CMEA), was a system based on bilateral clearing arrangements wherein a credit balance in favour of one country could not be used for payments to a third country. Although re-exports of commodities were used to some extent to balance bilateral clearing accounts, the only way to achieving the balance in

the countries of the Global South. This change of direction was meant to allow the introduction of more complex forms of trade exchange and to encourage Yugoslav producers to export to markets where they could earn hard currencies.⁹ The trend towards a general liberalisation of foreign trade was not seen as an obstacle to strengthening the politically supported foreign trade focus on NAM co-members. During the second half of the 1970s, when the idea of South-South cooperation reached its zenith, mechanisms and measures rooted in Yugoslav political commitments were implemented to stimulate both exports to and imports from developing countries. Exporters to the Global South were granted a 12% supplement to general export refunds and had one-third of their transport costs reimbursed by the Yugoslav Federal Government. Furthermore, loans available on more favourable terms were granted to companies exporting finished products and equipment to the Global South, as well as to those undertaking capital investments in this region. Imports were also stimulated: special reduced customs duties were applied to imports of raw and reprocessed materials¹⁰ and advantageous credit terms were offered for the financing of specific imports, particularly from the 25 least developed countries. In 1975, for instance, the National Bank of Yugoslavia allocated 265 million USD for this purpose.¹¹ At a time of economic confidence, these measures were seen as a solid enough foundation to allow developing countries to achieve a 25% share in Yugoslavia's overall foreign trade balance sheet by 1980.¹²

At the same time, some less enthusiastic and more critical voices within Yugoslavia raised concerns that this shift towards dollarization might be calling into question Yugoslavia's role as a leading advocate of global economic reform. They

these accounts over the long term was through the adjustment of bilateral trade (Henryk Francuz, "The International Bank for Economic Cooperation", IMF Staff papers, 16, 3 (1969), published by the IMF eLibrary, <https://www.elibrary.imf.org/view/journals/024/1969/003/article-A003-en.xml> (02.01.2024)). While Yugoslavia abandoned the clearing system in favour of trade liberalisation in its trade relations with the Global South in the late 1960s, it preserved it in its trade relations with the CMEA until the end of the 1980s.

⁹ Archives of the Republic of Slovenia (hereinafter: AS), Chamber of Commerce of the Republic of Slovenia (hereinafter: SI AS 1965), box 881, f. 0105-15/73, Informacija o rezultatima pregovora SFRJ sa zemljama u razvoju i istočnovepolskim zemljama o prelasku sa klirinškog na konvertibilni sistem plaćanja sa predlozima daljih stavova 17.5.1972.

¹⁰ Diplomatic Archive of the Ministry of Foreign Affairs of the Republic of Serbia (hereinafter: DAMSP), Political Archive (hereinafter: PA), 1978, box 72, d. 46368, Izveštaj o implementaciji odluka u KNZ 27.2.1978, p. 7.

¹¹ Branislav Colanović, "Co-operation among central banks and commercial banks of the developing countries", *Third Round Table: Financial Co-operation among Developing Countries (Proceedings)*, edited by Dunja Pastizzi-Ferenčić and Zoran Roca, (Zagreb: Institute for Developing Countries, 1975), 109–122, at 119.

¹² DAMSP, PA, 1973, box 172-173, d. 427203, Ekonomska saradnja SFRJ sa zemljama u razvoju, 1973, p. 62; Anton Vratuša, *Neuvrščeni in novi mednarodni ekonomski red*, (Ljubljana: Zveza delavskih univerz Slovenije, 1979), 69–71.

argued that by switching to a convertible system of payment Yugoslavia had effectively relinquished its independent financial and monetary policy and given up the most significant weapon to stimulate foreign trade. Among these critics, Slavko Štante, Vice Governor of the National Bank of Slovenia, articulated his apprehensions in the following statement: “By creating an array of additional incentives for imports from developing countries and paying for these imports in, say, dollars, we are effectively providing a certain developing country with dollars at a lower cost than in America. [...] We have not achieved convertibility at all; instead, what we have is an exchange in marks, dollars, yen - in short, foreign currencies, while our own currency is nowhere to be seen”.¹³ Indeed, Štante held the view that Yugoslavia was making a grave error by ignoring the 1972 Non-Aligned Foreign Ministers Conference’s appeal to developing countries to utilise their national currencies to the fullest extent possible in their economic transactions with each other.¹⁴ Unlike the Yugoslav managers, he believed that a return to bilateral and multilateral monetary arrangements would be the only suitable course of action to break the deadlock of dependence on the US dollar.¹⁵

But the broader community of Yugoslav political and economic elites had not yet dealt with the delicate aspects of doing business in convertible currencies when the 1980s crisis struck. Commercial credits from Yugoslav banks were complemented by the Solidarity Fund with Non-Aligned and Developing Countries, established in 1974, which provided 1 billion USD in grants and repayable loans during its first three years of operation.¹⁶ The difficulties that certain partner countries such as Indonesia, Ghana, Mali, and Guinea, faced in repaying Yugoslav credits had become evident as early as a decade before the outbreak of the global debt crisis; by 1971, about half of the 750 million USD of Yugoslav credit had gone unpaid. Yet, Yugoslavia, as a self-styled developing country, refused to join any of the Western creditor clubs

¹³ AS, SI AS 1165, box 883, f. 02.47/73, Slavko Štante – neavtorizirana redakcija razprave na posvetu o sodelovanju z deželami v razvoju 4.6.1973, p. 2.

¹⁴ The chapter on cooperation in financial and monetary matters, part of the Action Programme for Economic Cooperation among Non-Aligned Countries, adopted on the Conference of Foreign Ministers of Non-Aligned Countries held in Georgetown, Guyana, from August 8 to 12, 1972, stated that “Non-Aligned Countries, wherever possible, should settle payments among themselves in their own currencies, through clearing arrangements which should be established for this purpose. Non-Aligned Countries should seek to establish ‘correspondent’ banking relations between their national (indigenous) commercial banks. Non-Aligned Countries should adopt the following measures towards closer cooperation and coordination of monetary and financial policies: (a) export credit guarantee institutions; (b) exchange control policies, within the context of (integration groupings, wherever the adoption of such policies becomes necessary)” (*1956–1989 Documents of the Gatherings of the Non-Aligned Countries*, volume I, edited by Bojana Tadić and Miloš Dromnjak, (Belgrade: Medjunarodna politika & Institut za medjunarodnu politiku i privredu, 1989), 71.

¹⁵ *Ibid.*, 3, 5.

¹⁶ DAMSP, PA, 1978, box 72, d. 46368, Izveštaj o implementaciji odluka u KNZ 27.2.1978, p. 10.

and instead sought to solve the problem through debt rescheduling.¹⁷ In the absence of alternative international financial mechanisms, credit rescheduling was the only solution that could be agreed between Yugoslavia and its debtors, and remained so even later, in the mid-1980s, when the debt crisis was at its peak. By the end of 1986, the outstanding claims of Yugoslav companies had reached 600 million USD. While not an exorbitant figure when viewed in the context of the total flow from that region, which stood at 3.7 billion USD,¹⁸ it still posed a burden for Yugoslavia, which at that time was allocating 42% of its annual foreign exchange inflow (over 3 billion USD) to meeting its credit obligations to foreign lenders.¹⁹

The insistence on a convertible system also acted as a constraint on the structural diversification of economic relations, especially with the most financially challenged countries. The structure of Yugoslav exchange did not differ significantly from the pattern of trade between the global North and South: 80% of Yugoslav exports comprised industrial products, while 90% of its imports consisted of commodities, with oil topping the list. More than half of Yugoslav trade with this region was concentrated in a handful of countries (Iraq, Libya, Algeria, and Egypt), with which, in a few instances, higher forms of industrial and technological cooperation were also established. Meanwhile, the potential for this kind of more complex industrial cooperation in the spirit of collective self-reliance with countries such as India, Indonesia, Zambia, or Latin American countries remained, according to Yugoslav assessments, largely untapped.²⁰ Even at a time when the issue of repaying accumulated debts was at the forefront of discussions between Yugoslav statesmen and diplomats and their foreign, counterparts, particularly those from Africa, it was rarely the case that arrangements which eliminated the use of money completely or at least in part (i.e., barter, counterpurchase, buy back arrangements, offset transactions) were established.²¹ On the other hand, post-colonial economies with high dependence

¹⁷DAMSP, PA, 1971, box 228, d. 44736, Informacija o problemu reprogramiranja naših potraživanja od zemalja u razvoju 26.1.1971.

¹⁸AS, Republican Social Council for International Relations (hereinafter: SI AS 1271), box 8, Poročilo o gospodarskem sodelovanju SR Slovenije državami v razvoju v letu 1986 in predlogi za nadaljnje sodelovanje, July 1987, p. 20.

¹⁹Archives of Yugoslavia (hereinafter: AJ), Presidency of the SFRY 803, box 845, f. 124/1, Stenografske beleške sa razgovora predsednika Predsedništva SFRJ Veselina Djuranovića i dr Julius Kambarage Nyerere-a, predsednika Ujedinjene republike Tanzanije, održanih od 14. do 17. marta 1985. godine u Beogradu i na Brdu kod Kranja, p. 10.

²⁰DAMSP, PA, 1984, box 120, d. 425732, Privredna saradnja Jugoslavije sa zemljama u razvoju – stanje i problemi (teze) 21.5.1984, p. 2.

²¹AS, Republican Committee for International Cooperation (hereinafter: SI AS 1134), box 9, f. 134, Strategija razvoja saradnje sa zemljama u razvoju do 1990, odnosno 2000. godine (IV jugoslovensko savetovanje o ekonomskoj saradnji sa zemljama u razvoju), Andrej Kumer: Opskrbljivanje sirovinama iz zemalja u razvoju sa akcentom na ulozu vezanih poslova, Sarajevo 3–5.10.1984.

on a single commodity, such as Zambia's on copper or Nigeria's on oil, were reluctant to export except for the dollars they so desperately needed.²²

“We Provide Ideas, You Provide Fuel”:²³ A Failed Partnership for Change

Although the meaning of success or failure of introducing new kinds of bilateral economic arrangements between Yugoslavia, a European NAM member, and its fellow members from Africa, Asia, and Latin America would have been mainly symbolic, Belgrade concentrated on universal solutions that would facilitate comprehensive global reworking.²⁴ Unlike the later Washington Consensus policies, which only targeted highly indebted developing countries, the global structural adjustment process advocated by UNCTAD presupposed that all countries, including developed ones, should undertake structural adjustments. In this context, the developing countries establishing their own structures, including financial institutions, was regarded as a means to improving their position in the international division of labour and, above all, as a strategy for addressing existing forms of market manipulation.²⁵ As early as the 1960s, ideas for multilateral institutions that would redirect the flow of finance away from colonial pathways were floating around in UNCTAD circles (particularly among the Yugoslav economists working there) – proposals such as multilateral export insurance and re-insurance institutions, export credit guarantee agencies, and regional development banks, acting as an economic base of the Global South countries themselves.²⁶

The oil price spike at the time of the first oil shock worsened the state of public finances in Yugoslavia as well as in other oil-importing countries within the G-77,

²² AS, SI AS 1165, box 1712, fol. 91, Poročilo predstavnikov zbornice in združenega dela o službeni poti v Zambijo, v času od 15. do 24. maja 1983; Poročilo o delu predstavnika Ljubljanske banke v Lagosu in ocena možnosti nadaljnega sodelovanja, July 1984.

²³ Ljubiša Adamović, “Ekonomске osnove jugoslovenske politike nesvrstanosti”, *Društvene osnove jugoslovenske politike nesvrstanosti*, edited by Zoran Stojiljković et al., (Beograd: Centar za marksizam univerziteta u Beogradu & Marksistički centar organizacije SK u Beogradu, 1982), 144–152, at 149.

²⁴ *Novi međunarodni ekonomski poredak: putevi, ostvarenja, perspektive*, edited by Tomislav Popović et al., (Beograd: NMEP projekat & Ekonomika, 1983), 221–227.

²⁵ Ricardo Bielschowsky and Antonio Macedo e Silva, “The UNCTAD System of Political Economy”, *Handbook of Alternative Theories of Economic Development*, edited by Erik S. Reinert, Jayati Ghosh, and Rainer Kattel, (Cheltenham & Northampton: Edward Elgar Publishing, 2016); Johanna Bockman, “Socialist Globalization against Capitalist Neocolonialism: The Economic Ideas behind the New International Economic Order”, *Humanity: An International Journal of Human Rights, Humanitarianism, and Development*, 6, 1 (2015).

²⁶ Johanna Bockman, “The Struggle over Structural Adjustment: Socialist Revolution versus Capitalist Counterrevolution in Yugoslavia and the World”, *Economic Knowledge in Socialism*, 1945–89, edited by Ivan Boldyrev and Till Düppe (Durham and London: Duke University Press, 2020), 266.

but the affected countries did not request a discount, rather seeing this as a unique opportunity for the surplus funds to be utilised for a global transformation. As the hosts at the Tanzanian Foreign Ministry told the Yugoslav ambassador in the spring of 1974, the concept of dual oil prices was deemed impractical. Instead, the suggested strategy was to use a portion of the newly acquired funds to accelerate the economic development of all developing countries. However, they acknowledged that achieving this goal would not be easy, drawing from their own experience with the Arab countries.²⁷ The aid commitments of OPEC countries increased fivefold between 1973 and 1974, but the bulk share of aid went to Muslim-majority countries. Formally, non-aligned Middle Eastern states adhered to their own principles of economic and political multi-alignment and development solidarity.²⁸ Yugoslav experts also explored the reasons why, in this process of ‘recycling’, only a small portion of the surplus funds from OPEC countries (aside from the funds allocated for direct financial assistance) was directly channelled to other developing countries in the form of financial loans, and concluded it was because of the absence of a comprehensive system of guarantees and the underdeveloped state of banking and financial cooperation.²⁹

The 1976 NAM Summit in Colombo, which specifically included proposals for joint financial and monetary mechanisms for all developing countries, was expected to give new impetus to the idea of collective self-reliance, including within the financial sphere. Appointed to a group responsible for coordinating financial and monetary cooperation among the non-aligned countries along with Cuba, India, Indonesia, Peru and Sri Lanka, Yugoslavia organised a meeting in Belgrade in the summer of 1977 to operationalise the Colombo proposals. The meeting identified the priority activities to be undertaken by the developing countries in order to establish their own financial institutions and mechanisms, which included exchange of information related to the movement of capital among developing countries, advancements in banking and banking legislation, the expansion of mutual banking relations, especially the establishment of current account relations, the mutual granting of direct credit lines, subscription to bond issues floated on the capital markets within the group, etc.³⁰ There was also a discussion regarding the cooperation of commercial banks, which were expected to engage in suitable arrangements to assist joint ventures particularly in matters related to the issuance of bid bonds, performance bonds, and

²⁷ DAMSP, PA, 1974, box 173, d. 410795, 8.3.1974.

²⁸ Spaskovska, “‘Crude’ Alliance”, 539–540.

²⁹ Miodrag Stojiljković, “Economic, financial and technological co-operation among developing countries (Review of some actual possibilities)”, *Third Round Table: Financial Co-operation among Developing Countries (Proceedings)*, edited by Dunja Pastizzi-Ferenčić and Zoran Roca (Zagreb: Institute for Developing Countries, 1975), 146.

³⁰ DAMSP, PA, 1978, box 192, d. 435006, Meeting of the Representatives of the Coordinating Nonaligned Countries on Financial and Monetary Cooperation – Final Document, Belgrade, 30th June–2nd July 1977.

guarantees for advanced payments among others.³¹ In early 1978, another meeting took place in Belgrade, where the Working Group for the Promotion of Central Bank Cooperation among Non-Aligned and Other Developing Countries convened.³² During the period between the two Belgrade meetings and again in the spring of 1980, two ‘World Scientific and Banking’ conferences were held in Dubrovnik under the theme ‘International Financing for Economic Development’, bringing together several hundred bankers and employees of international organisations.³³ But the practical results of these consultations were meagre and cooperation between the Central Bank of Yugoslavia and the central banks of developing countries scarcely surpassed its rudimentary stage, as lamented by Branislav Čolanović, the Governor of the National Bank of Yugoslavia, as early as 1975.³⁴

The boldest political steps towards advancing financial and monetary integration among the nations of the Global South were taken within the framework of the G-77, notably during the Ministerial Meeting in Arusha in 1979 and the High-Level Conference on Economic Cooperation among Developing Countries in Caracas in 1981. The Yugoslav expert Dragoslav Avramović, who served as Senior Advisor to the UNCTAD Secretary General at the time, distilled the multitude of politically endorsed plans into eight priority areas of cooperation: balance-of-payments assistance through a special mechanism; development project funding (Solidarity Fund, Bank of Developing Countries); lending mechanisms to support joint-ventures and other private investments in areas such as food production, energy extraction, transport, etc.; financing for international trade; payment agreements at bilateral, sub-regional, and regional levels; distribution of funds in other developing countries (deposits, bonds, loans); financing for the purchase of raw material stock; mechanisms to facilitate technological cooperation.³⁵

³¹ *Ibid.*, p. 10. Representatives of commercial and development banks from developing countries convened at three separate conferences in Ljubljana in 1978, 1980, and 1983. The challenge with commercial bank cooperation lay in the fact that these banks continued to employ traditional mechanisms used by banks in industrialised countries (Mrak, Svetovni Jug, 71), which in most cases also required the intermediation of the latter. Thus, in the mid-1980s, the Slovenian *Ljubljanska banka* maintained overdraft relations with only a limited number of African countries, while financial transactions with nations with which it otherwise maintained robust economic ties, such as Algeria and Egypt, were primarily routed through American banks (AS, SI AS 1271, box 6, fol. 49, Informacija o gospodarskem sodelovanju SR Slovenije z Afriko 29.5.1985).

³² DAMSP, PA, 1978, box 192, d. 435006, Conclusions and Recommendations of the Working Group for Promotion of the Central Bank Cooperation among Non-Aligned and Other Developing Countries, Belgrade, January 18-21, 1978.

³³ DAMSP, PA, 1979, box 165, d. 450293, Informacija o II svetskom naučno-bankarskom skupu ‘Medjunarodno finansiranje ekonomskog razvoja’, September 1979.

³⁴ Čolanović, “Co-operation among Central Banks”, 115.

³⁵ Mrak, Svetovni Jug, 75–76.

At the centre of the NAM plans during the late 1970s and the first half of the 1980s was the Bank of Developing Countries, or the so-called South Bank, which was proposed as a commercial banking institution by Sri Lanka at the NAM Summit in Colombo.³⁶ Following the Caracas Conference, a group of UNCTAD experts, under the coordination of Dragoslav Avramović, developed a special feasibility study, which was subsequently discussed during an intergovernmental meeting of experts held in Ljubljana in late August and early September 1983.³⁷ With only a few exceptions, the delegates supported the proposed concept of a South Bank, an institution designed to facilitate various economic connections among developing countries in terms of 1) providing funding for development projects, joint ventures, including the field of mining and proceeding investment, and the provision of export credit/guarantee facilities; and 2) establishing specialised lending facilities to provide commodity stabilisation financing, and aid in regional payments and credit arrangements.³⁸ A study on the capital requirements for the Bank revealed that the total capital needed would amount to 38 billion USD (in comparison, the World Bank had 80 USD billion of approved capital at that time), out of which 4.8 billion USD would constitute the paid-up capital. Out of this total, 1.5 billion USD was intended to consist of convertible foreign currency; beyond this amount, the plan was to utilise local currencies of developing countries to the greatest extent possible and in this way promote South-South economic exchange and ensure the nations' gradual integration into global markets.³⁹

The paid-up capital for the South Bank was expected to primarily come from forty countries that collectively represented 93% of the total GDP of developing countries, including nations with convertible currencies, substantial reserves, and high per capita income, such as Saudi Arabia, Kuwait, the United Arab Emirates, Singapore, and Qatar, as well as countries with certain foreign exchange restrictions, which nevertheless at the time still maintained a relatively favourable balance of payments, such as India, China, Pakistan, Malaysia, Thailand, Indonesia, Algeria, and Libya.⁴⁰ While the Yugoslav government fully supported the South Bank's envisaged

³⁶ The idea of establishing a somewhat more circumscribed bank for non-aligned countries, in which 'various reises and sheiks from Arabia' would invest instead of sending their petrodollars to London and New York, had been discussed by Yugoslav President Tito and his right-hand man Edvard Kardelj even before the previous NAM Summit in Algiers in 1973 (AJ, Cabinet of the President of the Republic 837, I-4-a/15, Razgovor predsednika Tita sa grupom za pripremo govora, Brdo kod Kranja 17.8.1973; thanks to Paul Stubbs for sharing this document with me).

³⁷ *Report on the South Bank: The Bank of Developing Countries*, (Ljubljana & New York: International Center for Public Enterprises in Developing Countries & Office of the Chairman of the Group of 77, 1983).

³⁸ *Ibid.*, 16.

³⁹ *Ibid.*, 41.

⁴⁰ *Ibid.*, 51.

structure and modus operandi,⁴¹ its creation faced opposition primarily from countries that were expected to contribute the lion's share of the initial capital, including Kuwait, Saudi Arabia, and the United Arab Emirates.⁴² The intransigence of the Arab nations regarding the South Bank marks both the limits of Yugoslav diplomatic efforts and the waning collective cohesion within the G-77, which exhibited increasing divergence of national interests during or even before the 1980s.⁴³ At the same time when plans for the establishment of the South Bank were being formulated, the price of oil on the world market began to fall, and, as a result, some oil-exporting countries struggled to meet their obligations to Yugoslavia.⁴⁴ During the last years of Yugoslavia's existence, the priority thus shifted to recovering the country's loans, and the South Bank no longer held a place even in the most moderate strategies for the NIEO.

Concluding remarks

The financial perspective of Yugoslavia's engagement in the NIEO serves as another example of the country's de-radicalised interpretation of non-alignment, as recently discussed in the volume *Socialist Yugoslavia and the Non-Aligned Movement*.⁴⁵ While Yugoslavia remained steadfast in its commitment to the key points of non-alignment, including the reform of the global financial and monetary system, contributing importantly to related knowledge production to the very end of its existence, it did relatively little to introduce *alternative* or at least *complementary* exchange mechanisms into its bilateral economic relations with developing countries. Rarely did Yugoslav companies put into practice any of the innovative forms of financial cooperation proposed in the framework of UNCTAD, such as new forms of barter,⁴⁶ and even when they did, it was only as a last resort. Further studies would be required to determine why Yugoslavia continued with its financial *business as usual* approach. Was it the lack of will on the part of Yugoslav entrepreneurs, their poor interconnectedness and their frequent inability to carry out even the most basic

⁴¹ DAMSP, PA, 1984, box 151, d. 2012, Comments of the Yugoslav Government concerning the activities of the Group of 77 on the establishment of a bank of developing countries, 18.4.1984.

⁴² AS, SI AS 1134, box 334, f. 4518, Informacija o pravcima dalje akcije za unapredjenje ekonomske saradnje medju zemljama u razvoju, 1.2.1984, p. 3.

⁴³ DAMSP, PA, 1985, box 163, d. 431711, Informacija o stanju u Grupi 77 zemalja u razvoju i pravcima naše aktivnosti, 25.6.1985.

⁴⁴ DAMSP, PA, 1984, box 120, d. 425732, Privredna saradnja Jugoslavije sa zemljama u razvoju – stanje i problemi (teze), 21.5.1984, p. 3; AJ 803, box 847, fol. 361, Platforma za zvaničnu uzvratnu posetu predsednika Predsedništva SFRJ Radovana Vljakovića Socijalističkoj libijskoj arapskoj narodnoj džamahiriji, 1985.

⁴⁵ *Socialist Yugoslavia and the Non-Aligned Movement: Social, Cultural, Political, and Economic Imaginaries*, edited by Paul Stubbs, (Montreal: McGill-Queen's University Press, 2023).

⁴⁶ Bockman, "Socialist Globalization", 118.

compensation deals? Or was it perhaps the naïve belief of the top economic and political decision-makers that it was possible to create a different, more equitable world even by sticking to dollars, which prevented them from foreseeing the corrosive and fateful consequences of such a plan? Following the beaten path of conducting business in convertible currencies was not unique in the context of the integration of socialist and post-colonial countries. As Max Trecker shows, the financial infrastructure of the West was so appealing that CMEA countries chose to rely on Western institutions rather than attempting to create a robust alternative.⁴⁷ Still, it is quite possible that the South Bank, which had strong support amongst Yugoslav experts and diplomats, but lacked an equally substantial endorsement in Arab petrodollars, could have acted as a significant counterweight to the Western money market and the associated dictates at a time when only a substantial monetary shock could have resuscitated an infarcted NIEO. Of the subsequent efforts, including those emerging today within BRICS, none seem to have come as close to realising the idea of the New International Financial Order as the initiatives developed in Yugoslavia forty years ago.

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⁴⁷Max Trecker, *Red Money for the Global South: East–South Economic Relations in the Cold War* (Milton Park: Routledge, 2020), 193.

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Сажетак

др Јуре Рамшак

Југославија и неизвештан успех Новог међународног финансијског поретка

Недостатак одрживе алтернативе постојећим монетарним и финансијским системима који би интегрисали богатије земље произвођаче нафте у коалицији Г-77 и покрету несврстаних са мање просперитетним припадницима ове групације показао се као најупорнија препрека на путу ка успостављање економске сарадње Југ – Југ и тиме изазивању глобалних трговинских образаца и финансијске архитектуре у доминацији северноатлантских институција. Као европска земља са значајним индустријским капацитетима, али хроничним недостатком финансијског капитала, Југославија је била витално заинтересована за могућност каналисања енормних количина свежих петродолара у предвиђену „банку Југа“, док је остала двосмислена у вези других алтернативних механизма финансијске сарадње међу земљама у развоју, предложених од почетка 1970-их па надаље. Овај рад се заснива на два корпуса архивских извора: 1) материјалима везаним за улогу Југославије као координатора Радне групе за сарадњу централних банака несврстаних земаља и 2) емпиријским материјалима, који сведоче о препрекама билатералним економским аранжманима са најнеразвијенијим земљама изазваним одсуством алтернативних механизма размене, што даје основ за дискусију о неизвесности експеримената Југославије и шире, Г-77 у контексту неолиберализма 1980-их.

Кључне речи: покрет несврстаних, Г-77, УНКТАД, Југославија, Нови међународни економски поредак, Банка Југа

